

EBOOK

The Big eBook of Sustainability Reporting Frameworks 2025



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Introduction

This eBook is here to guide you through the acronym-laden world of sustainability reporting frameworks by bringing all the key information together into one place.

This guide will help you navigate through the complex landscape of sustainability frameworks with a climate, energy and financial sector focus.

Despite the myriad of challenges of the last year, momentum on climate-related sustainability has continued to accelerate.

Last year, we saw many reminders of the urgency of the climate crisis. 2024 was the hottest year on record, beating 2023. It is also the first year to exceed 1.5°C, the critical global warming threshold of the Paris Agreement. The impacts of this warming in the form of extreme weather events are all too clear.

Since the release of the Intergovernmental Panel on Climate Change (IPCC) report entitled “Global Warming of 1.5°C” in 2018, there has been significant evolution in both voluntary and mandatory reporting frameworks. These frameworks are designed to facilitate the integration of sustainability into organisational strategies while enhancing transparency for stakeholders.

The pressing need to ensure that the wealth of climate commitments are matched by sufficient action has continued to push forward the evolution of these frameworks over the past 12 months.

Perhaps more than ever before, we find ourselves with a confusing and fast-moving landscape for businesses to traverse when attempting to comply or deciding how to voluntarily disclose their sustainability actions.

With so many voluntary environmental reporting frameworks, it can be difficult to determine which ones are the most appropriate. If you are lost, you are not alone. Our guide is designed to help you and to provide clarity on the frameworks relevant for your organisation.

This non-exhaustive guide lists the main voluntary and mandatory reporting frameworks. Initially published in 2019, this 2025 edition has been updated to keep you on top of the latest changes. For each one, we have integrated detailed analysis of the requirements, and a summary of its distinctive criteria and benefits.

To provide further clarity and to organise a sea of bamboozling acronyms, we have divided these frameworks into three broad categories: Energy & Emissions frameworks, Sustainability frameworks and frameworks for Financial Institutions. We've created an interactive “Cheat Sheet” on pages 4-8 and each page has a quick link “back to top” to help you find the next framework.

Definitions & terminology

Here we have defined some repeated terminology, important to understanding the scope and inclusions of some of the reporting frameworks.

Quoted Company

As defined by Section 385 of the Companies Act, a company whose shares are quoted on a European stock exchange (including the London Stock Exchange), NYSE or NASDAQ

Unquoted Company

A company that does not meet the criteria of a quoted company (see left) and is, therefore, not a quoted company

Scope 1 Emissions

Direct company emissions from owned or controlled sources


Scope 2 Emissions

Indirect emissions from purchased energy

Scope 3 Emissions
















Indirect emissions that occur in the value chain of a company, both upstream and downstream

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Energy & Emissions	Standard	GHG Protocol	An internationally credible methodology for the calculation of Scopes 1, 2 & 3 emissions which can be used in mandatory and voluntary reporting frameworks	10	
		ISO 14064	An internationally credible standard for the calculation of Scopes 1, 2 & 3 emissions which can be used in mandatory and voluntary reporting frameworks	11	
		ISO 14040/44	ISO 14040/44 are the international standards that focus on the principles & frameworks associated with a Life Cycle Assessment (LCA) (ISO 14040) and the phases of work involved in conducting one (ISO 14044).	12	
		ISO 14067	ISO 14067 (Greenhouse gases - Carbon footprint of products) specifies the principles, requirements and guidelines associated with the quantification and reporting of the carbon footprint of a product, in a manner consistent with International Standards on life cycle assessment (LCA), ISO14040/44.	13	
		ISO 20400	ISO 20400 provides guidance to organisations, independent of their activity or size in order to support the integration of sustainability within procurement. The standard is aimed at stakeholders who are proximal to procurement decisions and processes.	14	
		ISO14068-1	ISO 14068-1 (carbon neutrality) is a new international standard that sets out the requirements for organisation that are seeking to achieve carbon neutrality, at either an organisation or product level. It provides a rigorous and robust standard that avoids greenwashing and is set to replace the previous standard, PAS 2060.	15	
		ISO 50001	An international energy management standard which assists in implementing a continual improvement approach to energy efficiency	16	
		ISO 14001	ISO 14001 is an internationally agreed and recognised standard for Environmental Management Systems	17	
		PAS 2060	An internationally recognised voluntary standard for operational carbon neutrality through which companies can gain certification	18	
		Net-Zero Standard	New Net-Zero Standard from the Science-Based Targets initiative (SBTi), considered global best practice for companies setting net-zero strategies	19	
		Net-Zero Guidelines	The Net-Zero Guidelines, published by the ISO, establish a standardisation framework based on 12 guidelines to help companies achieve net-zero emissions	20	
		ACT Initiative	The ACT (Assessing low Carbon Transition) initiative offers several sector-specific methodologies to assess the extent to which an organisation has a strategy aligned with the decarbonisation trajectories of its sector.	21	
		PACT	The Partnership for Carbon Transparency (PACT) developed the Pathfinder Framework that guides companies on how to calculate and share emissions data from across their value chains.	23	
CORSIA	CORSIA is the Carbon Offsetting and Reduction Scheme for International Aviation. It was established in 2016 by the International Civil Aviation Organization (ICAO), with the aim of reducing civil aviation emissions from 2021 onwards.	24			

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Energy & Emissions	Legislation	SECR	Mandatory UK-specific carbon and energy reporting regulations which include more companies and require more information than the previous legislation (CRC)	25	
		ESOS	Mandatory UK energy assessment legislation. It requires qualifying companies to report energy consumption and identify energy efficiency measures for the purpose of reducing energy usage	26	
	Permits	CCA	A voluntary UK scheme whereby companies can commit to challenging energy reductions with the incentive of receiving reductions in Climate Change Levy (CCL) charges	28	
		EPR	UK permit scheme managed by the Environment Agency in which a mandatory permit must be obtained by installations for certain activities that pose risks to the environment or health	29	
		MCPD	New regulation which seeks to fill the legislative gap previously existing between large and small combustion plants by mandating permits and Emissions Limit Values (ELVs)	31	
		EU ETS	Mandatory EU cap and trade system of greenhouse gas emissions allowances.	32	
		UK ETS	Replaced the UK's participation in the EU ETS. Aims to increase the climate ambition of the UK's carbon pricing policy, whilst also protecting the competitiveness of UK businesses	33	
Sustainability	Environmental, Social & Governance (ESG)	UN Global Compact	Ten universal principles related to human rights, international labour standards, environmental protection and anti-corruption	36	
		SDGs	17 UN environmental, social and economic goals with 169 associated targets that companies can voluntarily demonstrate that they are contributing to achieving these goals by 2030	37	
		Ecovadis	An online sustainability framework that provides performance ratings for companies within global supply chains	38	
		GRI	An internationally recognised and extremely broad framework of standards for reporting on sustainability with requirements, recommendations and guidance on 900 sustainability topics	39	
	Real Estate and Infrastructure	BREAAM	A voluntary sustainability assessment method and certification for buildings and infrastructure, which is increasingly a requirement for UK and EU local and government buildings	40	
		GRESB	A sustainability performance benchmark for real estate portfolios or assets which could be asked for by investors	41	
		LEED	A framework developed by the US Green Building Council that provides a globally recognised certification for best practice in sustainable buildings	42	
		SKA	The SKA rating is an environmental assessment method and standard for non-domestic fit outs	44	

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Sustainability	Investor-led	TCFD	Task Force on Climate-related Financial Disclosures is set of recommendations to assist companies in better accounting for climate-related risks in their financial and mainstream disclosures	45	
		TCFD For AMs	The FCA's TCFD-aligned regulations apply to asset managers, life insurers and FCA-regulated pension providers.	47	
		TNFD	Global science-based initiative that develops and delivers risk management and disclosure frameworks for organisations to report and act on evolving nature-related issues	48	
		IFRS I and II	In 2023, the ISSB published two standards to facilitate the risks & opportunities reporting of any company's value chain	50	
		DJSI	Published indices of the top 10% of companies who respond to a questionnaire covering Economic, Environmental and Social issues	52	
		CDP	One of the largest international, investor-led sustainability reporting frameworks. It is voluntary, but companies can be asked to respond by their stakeholders	53	
		RE100	The Renewable Energy 100 initiative brings together major companies that want to source 100% of their energy from renewable energy sources by 2050	55	
	EV100	Global initiative promoted by the Climate Group to bring together companies that are committed to electrifying their owned and contracted fleets	56		
	Legislation	CSRD	The Corporate Sustainability Reporting Directive (CSRD) was enacted to drive accountability and transparency, while promoting ESG practices.	57	
		EU Taxonomy	A regulatory classification system under which companies may define which of their economic activities are environmentally sustainable	58	
		International TCFD regulations	Several jurisdictions outside of Europe have implemented their own climate risk reporting requirements aligned to the recommendations of the TCFD and/or IFRS I & II.	59	
		CFD	The Companies (Strategic Report) (Climate-related Financial Disclosure) (CFD) Regulations were implemented from April 2022	60	
		SEC	Aims to enhance the climate-related disclosures of US publicly traded companies by including information relating to climate-related risks.	61	
		California Climate Disclosure Bill	Consists of Senate Bill (SB) 253, which mandates the disclosure of emissions, and SB 261, which mandates disclosures in line with the recommendations of the TCFD	63	
		CSDDD	The Corporate Sustainability Due Diligence Directive aims to enhance the protection of the environment.	64	
EU Green Claims Directive		A critical framework that provides consumers with clarity about corporate environmental claims aiming to curb greenwashing by mandating companies to substantiate environmental claims with robust evidence.	65		

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Sustainability	Standard	TPT	The Transition Plan Taskforce seeks to assist organisations in reaching their climate objectives and endorsing the UK government's commitment to achieving net zero emissions by 2050	66	
		VCMI	The Voluntary Carbon Markets Integrity Initiative (VCMI) Claims Code of Practice was created to provide clear requirements, recommendations and supporting guidance to organisations on how they can make voluntary use of carbon credits.	68	
Financial Initiatives	Standard	PCAF	PCAF is an industry-led partnership and is the global standard for financial portfolio footprinting	71	
		PBAF	The Partnership for Biodiversity Accounting Financials enables financial institutions to assess and disclose their impact and dependencies on biodiversity of any loans and investments	73	
		TPT for financial institutions	Disclosure Framework for the banking sector, which sets out good practice recommendations for transition plan disclosures.	74	
		SBTi FI	The SBTi Finance sector guidance, enables financial institutions, such as banks and insurance companies to set SBTs and have them validated by SBTi	76	
		ICMA Green Bonds principles EU Green Bond Standard	The Green Bond Principles (GBP) are guidelines that enable issuers to finance sustainable projects.	77	
	ESG	EU Green Bond Standard	The EU Green Bond Standard (EUGB) has been created to ensure that there is adequate transparency in line with market best practice regarding the issuance of green bonds across the EU	78	
		UNEP FI PRB	The UNEP FI helps financial institutions to develop practical approaches to setting and implementing targets	79	
		UNEP FI PSI	The UNEP FI PSI (Principles for Sustainable Insurance) serves as a structure for the insurance industry to address environmental, social and governance risks and opportunities.	81	
	Legislation	Equator Principles	The Equator Principles are a set of 10 principles designed to help financial institutions in determining, assessing and managing environmental and social risks when financing projects.	82	
		SFDR	SFDR mandates ESG disclosure requirements for asset managers and other participants in financial markets	84	

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Financial Initiatives	Investor-led	TNFD for financial institutions	TNFD is a global science-based initiative with the mission to develop and deliver risk management and disclosure framework for organisations to report and act on evolving nature-related issues	85	
		FCA PS21/24 - TCFD for Asset Managers	The FCA's TCFD-aligned regulations apply to asset managers, life insurers and FCA-regulated pension providers and must cover a reporting period of 12 months starting no earlier than 1st January of the previous calendar year.	86	
		NZIF	The Net Zero Investment Framework offers a unified set of suggested actions, metrics, and methodologies for investors to optimise their efforts towards attaining global net zero emissions	87	
		UN PRI	Works to promote sustainable investment through the incorporation of environmental, social and governance factors into investment decision-making	89	
		Green Loan Principles	A set of voluntary guidelines issued by the Loan Market Association to aid the development of a market-standard approach to green lending	90	
		VCA	The Venture Climate Alliance (VCA) is a growing group of leading Venture Capital firms (VCs) committed to providing the guidance and resources needed to achieve a rapid, global transition to net-zero or negative GHG emissions by 2050 the earliest stages of business creation.	91	

Energy & Emissions Frameworks

The majority of the mandatory frameworks fall into this section and are focused on ensuring large companies adequately disclose their emissions and energy usage. Along with the legislation and permits we've also included internationally accepted methodologies for emissions calculation as well as additional voluntary certifications for companies wishing to be proactive on climate and emissions.

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The reality of the emissions reporting landscape is that many of these standards overlap and complement each other. Whilst many of our clients find the number of emissions frameworks complex to navigate, it's about finding the right combination that tells your sustainability story and meets your compliance needs whilst communicating transparently.

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GREENHOUSE
GAS PROTOCOL

GHG Protocol

Created by the World Resources Institute and the World Business Council for Sustainable Development with the support of NGOs and governments, the GHG Protocol works with many actors to build credible and effective greenhouse gas (GHG) accounting methods and reporting platforms that address the challenge of climate change. The first standard was published in 2001, since then the method has been used worldwide, especially for corporate climate reporting (for example to CDP). The GHG Protocol also provides other methodologies than the one known for corporate activities, including methodologies specific to cities and products/services. GHG Protocol looking to release drafts for standards and guidance in 2025 with the finalised version to be released in the late period of 2026.

Who reports?

The GHG protocol is first of all an emissions calculation methodology. Organisations do not 'report against it', but instead can use these standards to calculate emissions outputs required when reporting against other frameworks.

All sizes of organisations, cities, and even countries can declare they have followed the GHG Protocol in the calculation of their emissions.

What are the requirements?

The GHG Protocol is based on 5 pillars:

- Definition of the boundaries: organisational perimeter (equity share or control approach), direct (Scope 1) and indirect emissions linked to energy (Scope 2) and other indirect emissions (Scope 3), definition of a reference year
- Recommended calculation according to IPCC guidelines
- Inventory quality management and uncertainties
- Calculation of emission reductions
- Advice on setting a reduction target

Benefits

- Ensures the standardisation of calculations and emission methodologies
- Facilitates greater transparency in reporting GHG emissions and enables comparisons with peers
- Allows external assurance or verification of the results
- Allows the quantification of GHG emission reductions resulting from the consumption/purchase of renewable energy
- Use of a consistent methodology also allows companies to monitor their progress against targets
- Helps companies to support their calculations with an internationally recognised methodology, enabling them to meet or exceed current regulations
- Also used in many other reporting frameworks (CDP, SBTi)

ISO 14064

ISO 14064 is a standard developed by the International Standards Organization. The standard consists of three parts, each with a different technical focus:

- ISO 14064-1: 2018 specifies principles and requirements, at organisational level, for the quantification and reporting of GHG emissions and their reduction. It includes requirements for the design, development, management, reporting and verification of an organisation's GHG inventory.
- ISO 14064-2:2019 specifies project level guidance for the quantification, monitoring and reporting of activities intended to cause GHG emission reductions or removal enhancements.
- ISO 14064-3:2019 specifies principles and requirements and provides guidance for verifying and validating GHG statements. It is applicable to organisations, project and product GHG statements. The verification/validation standard can be applied regardless of the criteria used to develop the statements.
- ISO/CD TS 14064-4 is an under development standard, centred on describing the principles, concepts and methods relating to the quantification and reporting of direct and indirect GHG emissions for an organisation (i.e. applying ISO 14064 1 to greenhouse gas inventories at the organisational level)
- The core principles of the ISO 14060 family of standards will be applicable to all carbon accounting approaches.

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Who is ISO 14064 for?

Any company can choose to apply the standard for quantification, reporting, monitoring and reporting of GHG emissions and reductions.

Procedure for determining the significant emission items:

Companies can take the following steps to analyse their GHG emissions:

- Define the criteria to be used to determine significant sources of emissions: contribution of the source, level of influence, existence of a risk or opportunity, etc.
- Identify and assess indirect emissions based on expert estimates or sectoral databases
- Apply criteria to select significant indirect emissions
- Represent in a table the significant sources of emissions
- Quantify the emissions of significant items
- Define the periodicity of the quantification of significant items

Benefits

- Enables a company to identify and quantify its significant sources of emissions
- Helps with the identification and management of risks and opportunities
- Enhances the credibility, transparency and consistency of GHG statements
- Allows a company to determine reduction objectives and identify areas for improvement more easily

ISO 14040/44

ISO 14040/44 are the international standards that focus on the principles & frameworks associated with a Life Cycle Assessment (LCA) (ISO 14040) and the phases of work involved in conducting one (ISO 14044). Specifically, they provide the boundary and requirements for the proper assessment of a product's environmental impacts across its life cycle, from the acquisition of raw materials, through to production, use, and its final disposal (i.e. cradle-to-grave).

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Who reports?

Any organisation that is interested in looking into sustainable product design that goes beyond simply assessing the carbon impact of products and services, can use ISO 14040/44 to identify the areas within their business model or supply chain which have the greatest environmental impacts.

Increasingly there is sector specific regulation that is requiring mandatory disclosure of product environmental footprints compliant to certain standards. This includes the EU's Ecodesign for Sustainable Products Regulation (ESPR), which came into force in July 2024 and sets certain minimum requirements on products (e.g. fridges and freezers) to ensure their sustainability. As part of this, products will have a Digital Product Passport (DPP) which can include 'Lifecycle environmental impacts' and so will require an LCA to be conducted.

What is reported?

The method provided for LCA by ISO14040/44 has been set up to provide organisations with flexibility, while still ensuring a consistent approach. This establishes transparency in reporting. As such, the output of an LCA will vary but will include of the quantifiable environmental impacts of a functional unit of the product that can be used to ensure comparability of LCA results.

If a report of the assessment is created, it shall be completely and accurately reported without bias to the intended audience and with full transparency of the data, methods, assumptions and limitations. When these results are communicated to a third-party, a third-party report will be produced, covering methodology, data quality inventory, assumptions, results, conclusions, and recommendations.

Benefits

- Identification of environmental performance improvement opportunities of products across their life cycle and across a business' value chain
- Informs product and business decision making (e.g. strategic planning, product/process design, etc)
- Helps to select relevant indicators of environmental performance, including measurement techniques
- Supports brand reputation improvement efforts by supporting claims or declarations
- Aids compliance with current and upcoming environmental regulations

ISO 14067

ISO 14067 (Greenhouse gases - Carbon footprint of products) specifies the principles, requirements and guidelines associated with the quantification and reporting of the carbon footprint of a product, in a manner consistent with International Standards on life cycle assessment (LCA), ISO14040/44.

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Who reports?

ISO 14067 is a voluntary standard to help provide a consistent method for measuring, reporting, and verifying the carbon footprint of products. It is broadly applicable to all goods and services. However, sector specific regulation may lead to mandatory disclosure of product carbon footprints which will need to be compliant with this standard (e.g., Green Claims Directive).

What is reported?

Measure the environmental impact throughout the products' life cycle

To quantify the product's carbon footprint the GHG emissions, energy consumption, resource usage and waste production at each stage of the supply chain need to be considered. This permits the application of emissions factors and the evaluation of the environmental impact.

Implement Reduction Actions

Once the emissions have been calculated, the company can take actions to reduce its carbon footprint, adjusting manufacturing processes or choosing alternative raw materials. Ideally, the implementation of the ISO 14067 standard aims to manufacture products with the lowest possible environmental impact.

Benefits

- Enhanced Transparency
- Competitive Advantage
- Regulatory Compliance
- Cost Savings
- Improve Stakeholder Relations
- Risk Management

ISO 20400

ISO 20400 provides guidance to organisations, independent of their activity or size in order to support the integration of sustainability within procurement. The standard is aimed at stakeholders who are proximal to procurement decisions and processes.

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Who reports?

ISO 20400 is a voluntary standard comprising of guidance for businesses to facilitate sustainable procurement in areas including governance, strategy, engagement, risk and roles & responsibilities

What is reported?

The framework looks to provide guidance on the following features of procurement:

- Understanding the key features of sustainable procurement
- Implementing how an organisation can be more sustainable in their procurement policy and strategy
- Shifting an organisation's procurement function towards being more sustainable
- Integrating sustainability into the procurement process

This is only guidance and not a standard that can be verified against.

Benefits

- Improved emissions reporting
- Improved engagement with net-zero targets
- More resilient supply chains
- Improved relationship with suppliers

ISO 14068-1

ISO 14068-1 (carbon neutrality) is a new international standard that sets out the requirements for organisation that are seeking to achieve carbon neutrality, at either an organisation or product level. It provides a rigorous and robust standard that avoids greenwashing and is set to replace the previous standard, PAS 2060.

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Who reports?

Any entity (including companies, local authorities and financial institutions), product or service (including events and buildings) seeking to achieve and demonstrate carbon neutrality.

What is reported?

ISO 14068-1 provides a standardised approach to achieving and demonstrating carbon neutrality. It starts by ensuring that any carbon neutrality commitment is backed by top management.

The next step is to determine the subject of the carbon neutrality claim and quantify its carbon footprint, taking into account all direct and indirect GHG emissions, and any GHG removals. Once the baseline and carbon footprint have been established a carbon neutrality plan can be drawn up (short- and long-term targets, activities foreseen to make GHG reduction enhancements and carbon credits). Indicators for monitoring its effectiveness are also required as well as an assessment of available resources.

Before a carbon neutrality claim can be made, it is necessary to make GHG reductions compared to the baseline. Once the net carbon footprint is known for the reporting period, carbon credits have to be purchased and retired or cancelled to offset that residual footprint.

The carbon management plan must be assessed for its level of ambition. High ambition can be demonstrated by, for example, setting wide carbon footprint boundaries, achieving neutrality for a whole organisation or range of products, or rapidly achieving deep emissions reductions.

As carbon neutrality is an ongoing process, the steps are then repeated, updating the carbon neutrality plan as appropriate, and recalculating GHG emissions, reductions and the carbon footprint to offset in each subsequent period.

Benefits

- Provides a best practice guide for achieving carbon neutrality.
- Demonstrates compliance with rigorous standards and high levels of ambition
- Establishes a hierarchy for carbon neutrality where GHG emission reductions (direct and indirect) and increased GHG removals enhancements take precedence over offsetting.
- Improves transparency and engagement with stakeholders.

ISO 50001

ISO 50001 is an international energy management standard that specifies a framework for implementing, maintaining and improving an energy management system. The standard explains the creation of an internal managerial system, structured to aid energy efficiency and reduce energy consumption.

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Who reports?

Companies looking to implement an energy management system on a voluntary or compliance basis.

Compliance criteria

ISO 50001, structured with ten clauses known as Annex SL, encompasses four main areas:

1. Energy Management: Processes for identifying, monitoring, and reducing energy usage, with applicability varying for each business.
2. Management Responsibility: Focus areas for the management team's involvement
3. Resource Management: Assignment of resources like people, infrastructure, and facilities to optimize performance.
4. Measurement, Analysis, and Improvement: Methods to assess Management System effectiveness, enabling continuous improvement.

In February 2024 two new amendments to both ISO 50001 and a number of other existing management system standards were announced. The changes dictate that organisations should determine the relevance of climate change to their operations, and relevant interested parties may be subject to requirements related to climate change

Benefits

- Certification can be a key differentiator or a condition to supply, opening the doors to more business opportunities and increased sales.
- ISO 50001 certification is a route to compliance with ESOS (UK) and Article 8 of the Energy Efficiency Directive (EU).
- Unlike ESOS compliance, this is an internationally recognised standard for energy management.

ISO 14001

ISO 14001 is an internationally agreed and recognised standard for Environmental Management Systems and the most widely used EMS in the world, with over 300,000 total valid certificates globally in 2023. An EMS supports organisations in identifying, managing, monitoring and controlling environmental processes. ISO 14001 provides guidance on how to consider multiple aspects of your business procurement, storage, distribution, product development, manufacturing, etc.- so that it reduces its impact on the environment.

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ENERGY



Who reports?

The standard is suitable for all types and sizes of organisation - including private, non-profit and governmental.

Compliance criteria

The certification process typically involves a gap analysis, implementation of the EMS as per the standard, internal audits, management reviews, and finally, a certification audit by an external body. Many certification bodies are accredited, which means that an accreditation body has provided independent confirmation of their competence. This may bring an additional layer of confidence for stakeholders.

Submission to a third-party external auditor - Before you can be awarded the ISO 14001 certification, an organisation is submitted to the third-party certifying body, this audit objectively determines whether your business is conforming to ISO 14001.

ISO 14001 awarded - Once confirmed to be ISO14001 compliant, an organisation will be presented with a certificate. This international certification will be recognised by current, potential and future clients as a mark of environmental awareness. Certified organisations usually undergo surveillance audits annually, with a recertification audit every three years.

In February 2024 two new amendments to both ISO 14001 and a number of other existing management system standards were announced. The changes dictate that organisations should determine the relevance of climate change to their operations, and relevant interested parties may be subject to requirements related to climate change.

Benefits

- Demonstrate green credentials to key stakeholders
- Reduce costs, overheads and wastage
- Focus on proactive management.
- Employee engagement
- Ensure legislative awareness and compliance
- Enhanced environmental performance.
- Risk management
- Operational excellence

PAS 2060

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CARBON



PAS 2060 is a specification standard detailing how to achieve carbon neutrality of a defined subject, whether it is an organisation, a product/service, a city or a building.. It sets out the requirements for quantifying, reducing, and offsetting GHG emissions. Certification occurs on an ongoing 12-month basis and enables you to gain an internationally recognised, fully independent measurement of your company's emissions. As it is not based on the latest scientific knowledge on climate, its application does not ensure a climate strategy compatible with limiting global warming to 1.5°C.

The PAS 2060 standard will be replaced by ISO 14068-1:2023 (Climate Change Management - Transition to Net Zero) from 1st January 2025; the PAS2060 standard can still be used in 2025 to support carbon neutrality claims for the previous year.

Who is PAS 2060 for?

Any company that wishes to voluntarily commit to climate action and carbon neutrality of all or part of its activities.

What is reported?

- 100% of Scope 1 emissions of the subject – fuel combustion, company vehicles, fugitive emissions
- 100% of Scope 2 emissions of the subject – purchased electricity, heat and steam
- All Scope 3 emissions which contribute more than 1% to the total footprint of the subject must be included

How to adhere to the standard?

- Determine the subject of the carbon neutrality claim
- Measure GHG emissions based on accurate and complete raw data
- Set targets to reduce emissions through the creation of a carbon management plan and a declaration of commitment to or achievement of carbon neutrality through carbon reduction and offsetting
- Offset GHG emissions with high quality, certified carbon credits from one of the PAS 2060 approved schemes, such as Verified Carbon Standard
- Document and validate your achievement of neutrality, through a statement known as the Qualifying Explanatory Statement (QES). The documentation supporting carbon neutrality claims must be publicly disclosed

Benefits

- The only internationally recognised certification for organisational carbon neutrality
- Guides companies to quantify their carbon footprint and supports subsequent reduction of GHG emissions
- Inclusion of offsetting (via certified credits) encourages the support of projects that add social and environmental value
- Demonstrates a voluntary commitment to climate action

Net-Zero Standard

The Science Based Targets initiative (SBTi)'s Corporate Net-Zero Standard is a framework for corporate net-zero target setting aligned to climate science. It sets out the guidance, criteria, and recommendations for companies to set science-based net-zero targets consistent with limiting global temperature rise to 1.5°C.

In March 2025, the SBTi published its draft Corporate Net-Zero Standard version 2.0 for public consultation. Its criteria will likely change through the public consultation process and is expected to be finalised in 2026.

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Who reports?

Launched in October 2021, the Net-Zero Standard is intended for corporates that wish to commit to setting net-zero targets through the SBTi. The SBTi also created a simplified pathway for SMEs to define a net-zero emissions target in 2024.

Benefits

- Align your net-zero journey to climate science
- Enhance your credibility and brand reputation
- Drive innovation and create competitive advantage
- Increased investor confidence
- Prepare for future regulation, especially the CSRD for EU companies

Key requirements

- Focus on rapid, deep emission cuts of 90-95% across a company's entire value chain (Scopes 1-3).
- Set near- and long-term targets that involve making rapid emissions cuts now and with the aim to roughly halve emissions by 2030.
- A company is only considered to have reached net-zero when it has achieved its long-term science-based target reduction and neutralised any residual emissions that are not possible to eliminate.
- Companies must reach net-zero by 2050 at the latest.
- In the transition to net-zero, going beyond the value chain is recommended. This involves making investments outside a company's science-based target to help mitigate climate change elsewhere.

Net-Zero Guidelines

ISO IWA 42:2022

The International Organisation for Standardisation (ISO) has published the Net-Zero Guidelines standard to establish a common standardisation framework to help organisations achieve the goal of net zero emissions. The standard was launched at COP 27, in Egypt, and was commissioned by Our 2050 World with the participation of more than 1,200 experts across the globe. These guidelines can be widely used by various organisations (companies, states, territories) to give greater credibility to their commitments to net-zero emissions and avoid the risk of greenwashing.

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Who reports?

Any company that intends to commit to the goal of net-zero emissions can use this standard by aligning themselves with the 1.5°C target set by the Paris Agreement.

Companies that commit must report at least once a year, specifying the territorial, sectoral, organisational, operational, portfolio or assets scope.

What are the benefits?

- Provides a clear framework for investors to align their efforts with global net-zero emissions targets.
- Offers recommended actions, metrics, and methodologies to guide investors in decarbonizing investment portfolios.
- Facilitates increased investment in climate solutions, supporting the transition to a low-carbon economy.
- Helps investors contribute effectively to achieving a 1.5°C net-zero emissions future.
- Enhances transparency and accountability in investment decision-making regarding climate-related risks and opportunities.
- Fosters collaboration and knowledge-sharing among investors, promoting best practices in sustainable investing.
- Strengthens resilience of investment portfolios against climate-related impacts and regulatory changes.
- Aligns with global efforts to address climate change and mitigate its adverse effects on the environment and society

What are the guidelines?

According to the ISO standard, to achieve the objective of net-zero, it will be necessary to:

1. Quantify direct and indirect GHG emissions (scopes 1, 2 and 3)
2. Quantify the emissions reduced or eliminated, specifying the types of storage used and the level of permanence of the storage
3. Explain the emissions accounting method
4. Provide evidence that the maximum emission reduction potential has been achieved within the value chain
5. Provide evidence that carbon removals fully offset residual emissions
6. Explain how residual emissions are calculated
7. Develop a plan to maintain net-zero over the long term
8. Explain the limits of the information reported
9. Include confidence levels (potential for error in published values).
10. Ensure independent verification of data
11. Justify if third party verification is not possible
12. Communicate how double counting of carbon credits has been avoided.

ACT Initiative

Developed by ADEME and CDP, the ACT (Assessing low Carbon Transition) initiative utilises the SBTi's Sectoral Decarbonisation Approach to assess the alignment of company's strategy with the decarbonisation trajectories of its sector.

To complement the "Act Evaluation" methodology, the initiative has developed a new approach called "ACT Step by Step", which offers a method and tools for defining their decarbonisation strategy.

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Who can report?

Any company that has calculated its carbon footprint (scopes 1, 2 and 3) using the Bilan Carbone® approach, ISO 14064-1 or the GHG Protocol can use ACT. The ACT Step by Step method is aimed at companies that want to define (or redefine) an ambitious decarbonisation strategy, integrated into the company's vision and governance.

ACT Evaluation is aimed at companies with a decarbonisation strategy that want to measure its ambition and alignment to best-practice. To ensure that the evaluation to be informative, they need to have reduction targets (value, timeframe, scope), as well as a low-carbon transition plan. The methodology also covers broader issues than a simple carbon accounting framework, such as the R&D budget, investment earmarking, internal governance on climate issues, commitments to the value chain and public decision-makers, etc. Responding to the methodology therefore involves extensive data collection within the organisation.

More than 400 organisations currently use ACT methodologies. Several sectoral methodologies are available: Food & Agriculture, Aluminium, Automotive, Construction, Consumer Goods (retail), Chemicals, Cement, Automotive Manufacturers, Iron & Steel, Finance (banks and investors), Real Estate (construction and development), Paper, Oil & Gas, Power Generation, Transport, Steel and Glass. A generic methodology is also available for companies with a wide range of activities.

In 2023, the ACT initiative published a test version of a methodology on climate change adaptation by businesses.

What is reported?

- Several sectoral methodologies are available: Food & Agriculture, Aluminium, Automotive, Construction, Consumer Goods (retail), Chemicals, Cement, Automotive Manufacturers, Iron & Steel, Finance (banks and investors), Real Estate (construction and development), Paper, Oil & Gas, Power Generation, Transport, Steel and Glass. A generic methodology is also available for companies with a wide range of activities. In 2023, the ACT initiative published a test version of a methodology on climate change adaptation by businesses.
- A public consultation was completed in September 2024, and an updated framework is expected to be released by the end of the year.

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What are the advantages?

- Identification of sector-specific climate issues and areas for improvement to better prepare your organisation for its low-carbon transition
- A 360° view of the issues relating to climate strategy (governance, investment, etc.)
- Mobilise your teams to improve your company's climate performance
- Increase your skills thanks to the ACT training courses offered by the Bilan Carbone Association and the accompanying tools
- Engage with your partners and investors on your decarbonisation actions analysed by ACT
- Visibility for your organisation in a Solutions Agenda initiative supported by France
- Empowerment through the use of ACT assessment tools after a one- or two-day training course for companies
- Recognition of your commitment with third-party verification of your assessment
- Financial support offered by ADEME to carry out this work
- Mapped to CDP's climate change questions in order to complement an organisation's CDP disclosure



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PACT Framework

The Partnership for Carbon Transparency (PACT)

The Partnership for Carbon Transparency (PACT) developed the Pathfinder Framework that guides companies on how to calculate and share emissions data from across their value chains. It provides standardised methods for calculating Product Carbon Footprints (PCFs) and guidance on how PCFs can be incorporated into Scope 3 inventories.

Who reports?

PACT is intended for a variety of stakeholders from a range of industries, including governments, academia, and other organisations.

It is hosted by a community of over 200 sustainability-focused businesses known as the World Business Council for Sustainable Development (WBCSD).

What is reported?

The Pathfinder Framework aims to drive forward the ambition of creating more transparency in emissions accounting, creating integrity, and data exchange. It also provides methods for calculating and reporting PCFs, the quality of PCF data and assurance and verification of PCF data.

When to report?

PACT enables improved collaboration between companies, consistency in how product-level emissions are calculated across both industries and value chains, as well as increased transparency in how carbon emissions are reported.

CORSIA

Carbon Offsetting and Reduction Scheme for International Aviation

CORSIA is the Carbon Offsetting and Reduction Scheme for International Aviation. It was established in 2016 by the International Civil Aviation Organization (ICAO), with the aim of reducing civil aviation emissions from 2021 onwards. Airlines are required to offset annual emissions exceeding an agreed baseline by purchasing carbon credits, known as Eligible Emissions Units (EEUs).

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Who reports?

Implementation is in three phases:

- Pilot Phase: 2021 - 2023
- Phase 1: 2024 - 2026
- Phase 2: 2027 - 2035

Countries can choose to participate in CORSIA for the Pilot Phase and Phase 1, meaning emissions from international flights between their airports are regulated.

For Phase 2, participation among ICAO member states is mandatory, aside from exceptions for states with a negligible share of international traffic. As of November 2024, 128 ICAO member states have voluntarily opted into participation.

What is reported?

Airlines' offsetting obligations are determined by:

- Airline annual emissions
- Sector-wide annual emissions
- Use of Sustainable Aviation Fuel (SAF)

Airlines are required to retire credits to cover their offsetting requirements after the end of each compliance period. For example, for 2024 -2026 airlines must retire the necessary credits by January 2028.

Benefits

Reduced emissions:

By imposing a cost on emissions, CORSIA will encourage airlines to invest in less carbon intensive fuels and practices.

Increased demand for emissions units:

Participating in CORSIA raises demand for emissions units, which is likely to encourage increased investment in carbon reduction projects.

Improved harmonisation:

CORSIA presents a standardised approach to reducing emissions and thus minimises market distortion.

SECR

Streamlined Energy & Carbon Reporting

Streamlined Energy and Carbon Reporting (SECR), is the UK-specific, mandatory reporting regulation which requires organisations to share their energy use and carbon emissions information in annual reports.

MANDATORY



UK



ENERGY



CARBON



Who must comply?

- UK incorporated quoted companies
- UK registered unquoted companies (including charities) and Large Limited Liability Partnerships (LLPs) that satisfy two or more of the following criteria:
 1. Have 250 employees or more
 2. Have an annual turnover of £36 million or more
 3. Have an annual balance sheet of £18 million or more
- Large unregistered companies that are required to produce directors' reports under the Large and Medium-sized Companies and Groups Regulations 2008
- Exemptions: Low energy users. If an organisation's energy use is less than 40,000 kWh in a reporting year

What is reported?

This will depend on whether you are a quoted or unquoted company.

Quoted companies must report:

- Global scope 1&2 GHG emissions
- Underlying global energy use that is used to calculate GHG emissions
- Proportion of emissions and associated energy relating to UK & Offshore
- At least one emissions intensity ratio
- Previous year's figures for energy use and GHG emissions
- Methodologies used in calculation of disclosures
- Information about energy efficiency actions implemented in the organisation's financial year

Large unquoted companies and LLP's must report:

- UK energy use and associated emissions; at a minimum report purchased electricity, gas and transport fuel for business travel (including fuel used in personal/hire cars on business use)
- At least one emissions intensity ratio
- Previous year's figures for energy use and GHG emissions
- Methodologies used in calculation of disclosures
- Information about energy efficiency actions implemented in the organisation's financial year

Disclosure is required in the Director's Report. Full reporting of scope 3 emissions is optional, but encouraged.

Benefits

- Increased awareness of energy costs within your organisation
- Provision of data to inform adoption of energy efficiency measures
- Reduce your organisation's impact on climate change
- Provides greater transparency for stakeholders
- Aligned to the TCFD Metrics & Targets section

ESOS

Energy Savings Opportunity Scheme

ESOS is a mandatory energy assessment scheme for UK organisations that meet the qualification criteria. Organisations must comply with their ESOS obligations by undertaking comprehensive assessments of total energy consumption and carry out energy audits to identify cost effective energy savings opportunities. ESOS operates in four-yearly compliance cycles. ESOS is now in Phase 4, with the deadline for Phase 3 submission being 5th June 2024. It is the UK's implementation of Article 8 of the EU Energy Efficiency Directive (EED). Each country has implemented the directive slightly differently, therefore steps to compliance vary between participating countries.

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Who must comply?

An undertaking is mandated to comply with ESOS legislation if on the qualification date the company is:

1. A UK undertaking with 250+ employees, or;
2. A UK undertaking with fewer than 250 employees but has:
 - An annual turnover exceeding £44m, and
 - A balance sheet exceeding £38m, or;
3. Part of a corporate group which includes a UK undertaking that meets either criteria 1 or 2 above.

Route to compliance

1. Determine corporate groupings for qualification and participation.
2. Determine the 'Total Energy Consumption' for the organisation for 12-month reference period. This includes all input energy use in the UK, e.g. buildings, industrial processes and transport. It must be calculated in a common unit.
3. Identify the 'Significant Energy Consumption' by identifying assets and activities that amount to at least 95% of your total energy consumption. NB: The ESOS de minimis threshold has been reduced from 10% to 5% in Phase 3.
4. Determine Compliance Route. The preferred ways to comply with ESOS are either by using: a) ISO 50001 certification, or b) ESOS compliant energy audits (most common route). The key output from the different compliance routes, is the identification of potential energy efficiency opportunities within the business and gaining visibility at board level.

5. Appoint ESOS Lead Assessor & Sign-off. Once completed, a board level director and ESOS lead assessor will be required to sign-off the ESOS compliance.

6. Notify the Environment Agency, (EA) prior to compliance deadline

The scheme is designed that the workload can be spread across the four-year ESOS cycle thus, identifying energy efficiency measures on an ongoing basis and not just in the compliance deadline year.

All participants that qualify for ESOS in a given compliance period are required to subsequently produce an Action Plan and report against it. An Action Plan is designed to require participants to consider what actions from the ESOS audit (or alternative compliance route) they may wish to carry out before the next ESOS assessments.

The ESOS Action Plan submission deadline has been extended from 5 December 2024 to 5 March 2025, and thereafter participants will need to submit progress updates annually.

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Benefits

- Companies identify energy efficiency measures that can lead to cost savings.
- ESOS enables companies to make annual comparisons and to track their energy efficiency progress.
- It provides board-level visibility of energy consumption and costs, alongside opportunities of how it can be reduced.
- Provides greater clarity around implementation processes.



CCA

The Climate Change Agreement

Current CCA which ended in Target Period (TP) 5 has been extended for two years until 2027 (TP6). On 22nd November 2023 a new Climate Change Agreement Scheme was announced to run for 6 years to 2033.

The new scheme will not allow 'bubbling' - meaning each individual site will have its own targets to meet.

As of January 2026 new entrants will be able to join, with new sectors able to join in 2027.

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Who reports?

Eligibility to hold a CCA depends on the operator carrying out an 'eligible process' through two pieces of legislation:

1. A facility will be eligible if it carries out an energy-intensive process or activity detailed in the schedule AND
2. A site will be eligible if it carries out a Part A(1) or A(2) activity listed.

The CCA scheme is operated under 53 sector specific umbrella agreements typically operated by the trade association for the sector.

CCAs closed to new entrants in September 2023.

What is reported?

Your agreement will involve determining your eligible and ineligible energy and setting a baseline. Data and progress against targets are reported every two years to the sector body and the Environment Agency.

Energy accounted for in CCA includes:

- Combustible fuels
- Grid electricity
- Green electricity, renewable energy
- Oxygen, liquid nitrogen, solid carbon dioxide

Penalties: applied if participants fail to meet their agreement target. The amount of penalty is calculated by £18 x tonnes exceeded. The penalty must be paid for the facility to remain in the CCA and obtain the CCL discount.

Participating organisations are now required to complete an Energy Carbon Savings Actions and Measures Implemented form where they record what they have done to save energy.

Benefits

Financial incentive: operators holding a CCA, can receive a maximum CCL discounts of:

- 92% of electricity bills
- Up to 89% on gas
- Up to 77% on LPG

Agreement types

1. Umbrella - a sector specific agreement between the sector body and BEIS.
2. Underlying - a specific agreement between a site or group of sites and the sector body.

EPR

The Environmental Permitting Regulations

EPR requires installations which operate certain activities that pose risk to the environment or human health to hold an environmental permit. The detailed application must demonstrate that the installation uses the best available techniques (BAT) to manage environmental impacts and that there is no current or future risk to sensitive receptors. The operator must then follow the conditions outlined within the permit, which (as of 1st April 2024) includes the requirement for all existing permit holders to carry out a site-level Climate Change Risk Assessment and embed this into their relevant Environmental Management System/Working Plan (or equivalent).

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Compliance criteria

The classes of regulated facility are those carrying out the following:

1. A combustion Installation > 50MWth
2. Mobile Plant
3. A mining waste operation
4. A radioactive substances activity
5. A water discharge activity
6. A small waste incineration plant
7. A waste discharge activity
8. A groundwater activity
9. A solvent emission activity
10. A flood risk activity
11. A medium combustion plant
12. A specified generator

Route to compliance

Compliance with EPR is met with the following conditions:

1. Those who meet inclusion criteria must legally hold a permit AND
2. Those in possession of a permit must comply with the conditions agreed upon in their permit.

Action from regulators

The Environmental Agency (EA) is under authority to carry out the following:

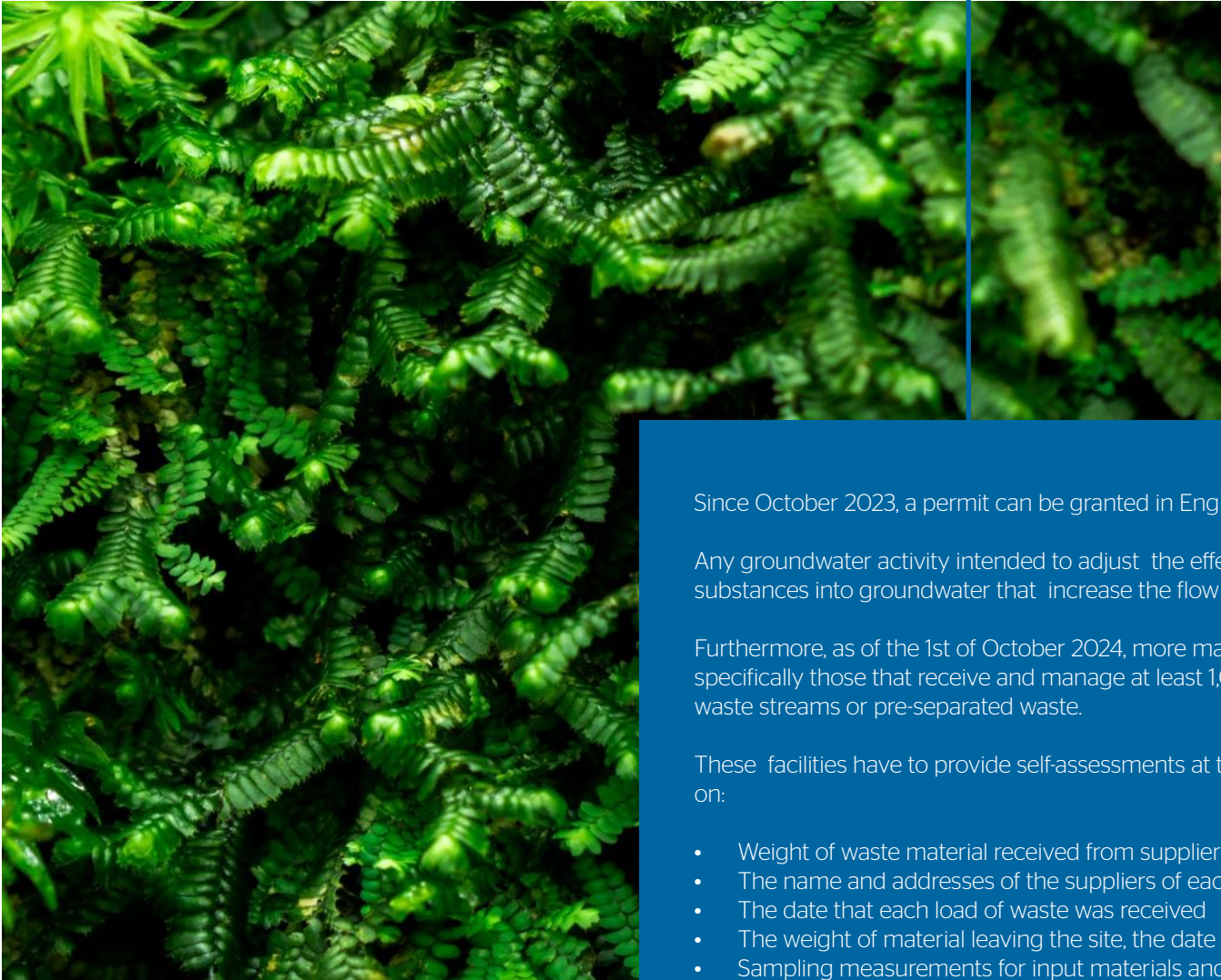
Assessments and inspections: where officers conduct either a desk-based or site visit assessment of your compliance with your permit. A Compliance Assessment Report (CAR) will be completed by the officer and a copy will be made available.

Enforcement: The EA may act if they suspect non compliance with actions including:

- Advice
- Changing permit conditions
- Serving you with an enforcement notice – stating the problems to fix and by when
- Serving you with a suspension notice (if there is a risk you might pollute)
- Prosecution

Intervention: The EA can undertake work to address an environmental problem and recover costs from you.

Permit reviews: The EA regularly update permits to reflect the latest regulations and environmental standards.

MANDATORY UK EMISSIONS 

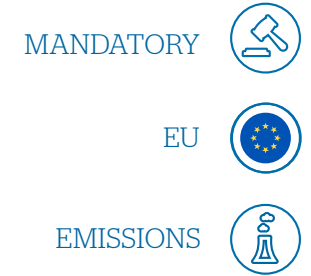
Since October 2023, a permit can be granted in England for:

Any groundwater activity intended to adjust the effects of pollution in groundwater the injection of any substances into groundwater that increase the flow of fluids or gas for extraction.

Furthermore, as of the 1st of October 2024, more materials facilities will need to sample and report their waste, specifically those that receive and manage at least 1,000 tonnes of household waste a year, including single waste streams or pre-separated waste.

These facilities have to provide self-assessments at the start of every 3-month reporting period and will report on:

- Weight of waste material received from suppliers
- The name and addresses of the suppliers of each load
- The date that each load of waste was received
- The weight of material leaving the site, the date this occurs and the destination.
- Sampling measurements for input materials and, if necessary, output materials



MCPD

The Medium Combustion Plant Directive

MCPD is legislation to improve air quality by limiting the emissions of certain pollutants into the air from medium combustion plants (MCP). It follows EU Directive regulations, with the aim of reducing background levels of harmful substances.

Its purpose is to fill the legislative gap existing between large combustion plants and small appliances in order to tackle a significant source of pollutants.

Who must comply?

The Directive applies to all owners and operators of combustion plants between 1MWth and 50MWth (including Specified Generators). Rules will apply to both new and existing equipment.

There are estimated to be 143,000 MCPs in the EU.

Introduction of SR2022/9, which allows sites and businesses to obtain permits for natural gas boilers that are either new 1-20 MWth or existing 5-20 MWth MCPs.

Existing MCPs that operate less than 500 hours per year as a 5 year rolling average and new MCPs that operate less than 500 hours per year as a 3 year rolling average are exempt from MCPD ELVs but are still required to monitor emissions.

Route to compliance

From 20th December 2018, new plants had to have a permit and comply with Emissions Limit Values (ELVs) on the concentration levels of: Sulphur dioxide (SO₂); Oxides of nitrogen (NO_x) and Dust Particulates in exhaust gases from affected plant.

Those who qualify for compliance are required to be registered or permitted and complying with the following ELVs:

Monitoring to demonstrate compliance must begin within 4 months of the permit issue date.

SIZE	REGISTER/PERMIT	COMPLY w.ELVs
1-5 MW	1st Jan 2029	1st Jan 2030
5-10 MW	1st Jan 2024	1st Jan 2025

Regularity of Compliance Monitoring

Sites > 20MWth - every 3 years; Sites < 20MWth - every year, reduced monitoring requirements for limited operating hours equipment.

Penalties: MCPD regulators are licenced to issue civil penalty notices for non-compliance.

Specified generator regulations (sites in England & Wales only)

Generators between 1MWth and 50MWth are required to control NO_x emissions to air through setting emission limits and habitat protection requirements. Exemptions for backup generators operating less than 50 hours e.g. for offices and data centres.

Requirements:

Specified generators require a permit. The three types are: (1) standard, (2) low risk bespoke and (3) complex.

Compliance Dates:

- Tranche B specified generators - from 1 January 2019 or when the new specified generator is commissioned
- Tranche A specified generators - either 1 January 2025 or 1 January 2030 depending on the site's total capacity

EU ETS

EU Emissions Trading Scheme

The EU ETS, established by Directive 2003/87/EC and subsequently amended by Directives 2008/101/EC, 2009/29/EC and 2018/410, is a cap-and-trade system. This means that the total amount of GHG emissions released by regulated facilities is capped, and the EU auctions allowances (one per tonne of CO₂ equivalent) corresponding to the cap each year. Market participants can purchase allowances at auctions or on the secondary market, where they may also sell them. Regulated entities must report their annual emissions annually and then surrender enough allowances to cover them. The system is currently in Phase 4 (2021 - 2030).

As part of the 'Fit for 55' climate package, the EU aims to reduce emissions in regulated sectors by 62% (compared to 2005) by 2030. To help achieve this, the annual cap will reduce at an increased rate. The reduction rate for the cap has increased to 4.3% a year for 2024 to 2027 (compared to 1.74% until 2020), and will rise to 4.4% per year from 2027.

Aviation was incorporated into the ETS in 2012. Meanwhile, from 2024, the maritime sector was integrated into the ETS to cover emissions from large ships of 5,000 gross tonnage and above. In addition, a separate system (known as ETS II) will begin for building and road transport fuels in 2027. Both the ETS and ETS II have mechanisms through which allowances can be released into or withdrawn from the market to control prices.

MANDATORY



EU



EMISSIONS



Compliance criteria

Compliance concerns the industrial installations and the combustion capacity on site. It concerns the sectors listed in Annex I of the ETS Directive (2009/29/EC), which include but are not limited to:

- Combustion of fuels, including for the incineration of municipal waste
- Electricity and heat production
- Energy-intensive industrial sectors, including oil refineries, steel mills and the production of iron, aluminium, metals, cement, lime, glass, ceramics, pulp, paper, board, acids and bulk organic chemicals
- Commercial aviation
- Ships above 5,000 gross tonnage

What is reported?

An operator of the EU ETS must propose a monitoring plan when applying for a GHG emission permit. The plan will specify how the installation's GHG emissions will be measured and reported. Furthermore, it must be drawn up in accordance with the European Commission's monitoring and reporting regulation (Regulation (EU) 2018/2066) and be approved by an inspection body. Participants are required to report their emissions data on an annual basis. All annual emissions and monitoring reports are verified by an accredited external verifier.

Benefits

- Covers approximately 45% of EU GHG emissions
- Is a key mechanism to help the EU meet its emissions targets
- Provides decarbonisation incentive by imposing carbon costs, while enabling flexibility and economic efficiency through allowance trading
- Contributed to 47% emissions reduction in covered sectors between 2005 and 2024
- The transitional phase of the border carbon adjustment mechanism (CBAM) started on 1st October 2024, with implementation scheduled for 2026. The aim is to address the risk of carbon leakage and to encourage non-European suppliers to commit to climate action.

UK ETS

EU Emissions Trading Scheme

The UK Emission Trading Scheme (ETS) is a cap-and-trade system which caps the total level of greenhouse gas emissions, creating a carbon market with a carbon price signal to incentivise decarbonisation. The UK ETS came in to force on 1 January 2021 to replace the UK's participation in the EU ETS, which was established in 2005.

Participants in the scheme are required to obtain and surrender allowances to cover their annual greenhouse gas emissions. Participants can purchase allowances at auction or trade them amongst themselves, which allows the market to find the most cost-effective way to reduce emissions. Industrial sectors considered at risk of carbon leakage (whereby carbon costs would make them uncompetitive prompting industry to relocate outside the country in which the ETS applies) receive a proportion of allowances for free.

The UK ETS aims to incentivise cost-effective greenhouse gas emissions reductions for sectors currently in scope of the EU ETS, while balancing this ambition with the competitiveness of UK industry be at least as ambitious as the current EU ETS and to provide a smooth transition for all relevant sectors.

MANDATORY 

UK 

EMISSIONS 

Compliance criteria

The UK ETS applies to energy intensive industries, the power generation sector and aviation. It covers regulated activities which result in greenhouse gas emissions, including the combustion of fuels in installations with combustion units with a total rated thermal input exceeding 20MW (except in installations for the incineration of hazardous or municipal waste). If you carry out a regulated activity at an installation in a scheme year, you are required to hold a greenhouse gas emissions permit for the installation that authorises the regulated activity to be carried out.

If you do not hold a permit for an installation or certain parts of the installation are not covered by the permit then you are liable to a civil penalty as directed by Welsh Government for Article 50.

The aviation routes covered by the UK ETS include UK domestic flights, flights between the UK and Gibraltar, the UK and Switzerland and flights departing the UK to European Economic Area states conducted by all included aircraft operators, regardless of nationality.

Activities in scope of the UK ETS are listed in Schedule 1 (aviation) and Schedule 2 (installations) of the Greenhouse Gas Emissions Trading Scheme Order 2020.

What is reported?

The UK ETS maintains the scope of the EU ETS, with participation mandatory for the power sector, energy intensive industries and aviation. It will cover around 100 participants in Scotland who account for 28% of Scotland's greenhouse gas emissions.

The UK ETS sets a cap on emissions at 5% less than the UK's notional share of the EU ETS cap. Along with the other governments, we have committed to review this cap in 2021, and implement any changes by 2024, to ensure the cap is in line with our net zero ambitions.

The UK ETS obligations on participants, in particular for monitoring, reporting and verification, are based on the EU ETS phase IV requirements. The Scottish Environment Protection Agency (SEPA) will continue to regulate Scottish participants with enforcement powers to ensure compliance with the UK ETS rules.

The UK Government are planning to initiate new regulation in 2028, with a two year transition period from 2026 when emissions will only be monitored, reported and verified. Key dates in the coming years include:

January 2026 - Emissions to be monitored, reported and verified (Department for Energy and Net Zero (DESNZ) will decide if this is mandatory or voluntary)

December 2026 - Phase two of UK ETS evaluation closes (long term impacts)

January 2028 - Full inclusion of waste/energy-from-waste in the ETS

January 2028 - Integration of Greenhouse Gas Removals (GGRs) into ETS

Future plans for the UK ETS have suggested the potential expansion to include heating and road transport.

MANDATORY



UK



EMISSIONS



Benefits

The main benefits of the UK ETS scenario, compared with the counterfactual, are higher carbon benefit of additional abatement and the higher revenue that the government will receive due to higher expected carbon values (partly offset by lower estimated number of allowances purchased). There are also non-monetised benefits, such as an improvement in air quality and switching to a less carbon-intensive energy supply. The scheme has been designed by the UK Government jointly with the Scottish Government, Welsh Government and Northern Ireland Executive and is a crucial step towards net zero, and will bring benefits for business, trade, and innovation. The UK ETS will replace the UK's participation in the EU Emissions Trading System (EU ETS) and will be a market-based measure which will provide continuity for participants. The UK ETS will initially apply to power stations, energy-intensive industries, and aviation.

Our UK ETS is more ambitious than the EU system it replaces - from day one the cap on emissions allowed within the scheme will be reduced by 5 per cent, and we will consult in due course on aligning it with net zero. The UK ETS will also allow us to expand carbon pricing across the economy and encourage innovation in emerging decarbonisation technologies. We have committed to exploring expanding the UK ETS to the two thirds of uncovered emissions, and will set out our aspirations to continue to lead the world on carbon pricing in the run up to COP26. This will also include how the UK ETS could incentivise the deployment of greenhouse gas removal technologies. In addition to this, the UK is open to linking the UK ETS internationally in principle and we are considering a range of options, but no decision on our preferred linking partners has yet been made.

Sustainability Frameworks

Most of the frameworks within this section are voluntary, although the expectation for businesses to report against at least one of them is increasing. Many of these also include emissions and energy indicators but they are set apart as they also include a range of important environmental, social and governance (ESG) issues that are important factors in sustainability.



“ The trend of organisations going beyond mandatory reporting is due to the positives it brings for a business. Not only does it help companies prepare for inevitable mandatory reporting but the increased transparency can attract investors and open up conditional financing avenues. It also appeals to larger clients and customers who may have their own public commitments to only work with suppliers who disclose their emissions or have reduction targets set.

Marisa Watts
Senior Business Development Manager,
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The UN Global Compact

The UN Global Compact is a voluntary initiative which comprises a framework for companies to publicly commit to ten universal principles related to human rights, labour, environment and anti-corruption.

Organisations from all sectors are invited to demonstrate their commitment to these principles each year through the publication of a communication on progress report, which describes the companies' efforts to implement the Ten Principles.

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ESG



Who reports?

Over 26,000 participants from all sectors currently report against the principles. All organisations can participate.

When signing up to the UN Global Compact, a company's commitment also applies to any of their subsidiaries or country offices (note - subsidiaries can sign up independently or alongside their parent company).

Participants are required to contribute financially, with contributions dependant on annual revenue & country location (at a maximum this will be USD \$30,000).

How to report?

- Draw up a letter of commitment signed by the CEO with support from the board or equivalent (for non-business entities)
- Register your organisation online by specifying contacts, level of commitment and submitting the letter of commitment
- Each year, the company publishes its CoP (Communication on Progress) report presenting the renewal of the commitment to the ten principles, with a qualitative and quantitative description of the corporate social responsibility initiatives implemented to respond to the 4 areas of action
- Participants are required to complete the CoP questionnaire which focuses on five disclosure areas (governance, human rights, labour, environment and anti-corruption).

Benefits

- Self-assessed (no scoring provided)
- Flexibility in how you can respond and what to include
- Widely acknowledged and shows participation with a universal body
- Reputational benefits of showing initiative on issues important to the public eye
- Provides opportunities to compare performance against peers/ allows organisations to measure and demonstrate progress to stakeholders.



SDGs

The Sustainable Development Goals

The Sustainable Development Goals (SDGs) were created by the UN and are comprised of 17 global sustainability-based goals, with 169 associated targets, to which companies can align their corporate strategy for completion by 2030. These goals are built on the understanding that eliminating poverty must go hand in hand with improvements to health, education, inequality and economic growth, all while working to protect and preserve the environment.

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INTERNATIONAL



ESG



Who reports?

Any company can decide to contribute to the goals and to disclose what actions they are taking. Alignment and materiality mapping allows companies to identify which SDGs are the most relevant to their values, industry, products and/or services. Following this companies can create a business plan that provides a strategic framework to address sustainability challenges, capitalise on opportunities and contribute to a more sustainable and equitable future.

What is reported?

There are several steps that companies are encouraged to undertake to align their business with the SDGs:

- Assess their impact against the 17 goals,
- Engage with their board, shareholders, employees (or equivalents) on the goals,
- Show commitment to the public. This can include disclosing qualitative or quantitative data in public reports which demonstrates how the company is contributing to the chosen goals.

Benefits of reporting

- It is self-assessed.
- Companies can choose the goals they wish to contribute to, which can be those that fit most with their business values and priorities.
- Offers a useful framework for companies to structure their sustainability initiatives and the purposes they serve.
- Alignment to SDGs can be mentioned in a company's annual report.
- Indicates that your business is actively engaging with a wide range of key environmental and social issues.
- In March 2020, the Global Reporting Initiative (GRI) published a report to align the SDGs with the GRI for ease of reporting.

VOLUNTARY



INTERNATIONAL



ESG



ecovadis

EcoVadis

EcoVadis is an online data collection portal used by companies to collect information from their suppliers. The portal ensures information is collected in a standardised format and is collated efficiently.

The portal's sustainability framework provides ratings and performance improvement recommendations for companies within global supply chains. Companies or investors can request their suppliers respond or require their suppliers to have a certain rating.

Who reports?

Those requested to by companies connected to them in supply chains.

What is reported?

- Sector based questions which are tailored to the company.
- Environmental, Governance and Social metrics are scored
- Assesses companies based on 21 sustainability metrics across 4 pillars: environment, labour and human rights, ethics, and sustainable procurement

A company's performance is compared with all rated companies in the database over the previous 12 months. The percentile rank is calculated across all companies in all industries, not per industry.

Platinum - Top 1% (99+ percentile)

Gold - Top 5% (95+ percentile)

Silver - Top 15% (85+ percentile)

Bronze - Top 35% (65+ percentile)

There are also badges for 'Committed' and 'Fast Mover' companies.

Where is it reported?

- Requesting customers are given the results directly through EcoVadis.
- Responding companies receive scores and recommendations for improvements.
- Companies often publish results in annual reports.

Benefits

- Designed to manage ESG risk and compliance both internally and within supply chains.
- Enables companies to gain greater transparency of supplier sustainability and practice.
- Shows customers that your company has met standardised sustainability criteria.
- Covers major sectors: Encompasses significant emitters across power, industry, buildings, waste, transport, and domestic aviation.



GRI

The Global Reporting Initiative

The GRI offers both public and private companies public sustainable development reporting guidelines and identifies best practices in this area. The guidelines of these consider different degrees of economic, social and environmental performance. The GRI standards represent one of the most widely used frameworks for environmental reporting by organisations.

VOLUNTARY



INTERNATIONAL



ESG



HIGH REPUTATION



Who reports?

A variety of organisations use GRI, but larger industry groups make up most users. More than 23,000 reports are now using the GRI worldwide, as well as most large companies. EcoAct's 2018 sustainability reporting performance report identified that 38% of the FTSE 100, 100% of the IBEX 35 and 90% of the CAC 40 use GRI. 78% of G250 adopt the GRI standards for reporting; 68% of the 5,800 N100 companies use GRI.

What is reported?

Topic-specific disclosures on material issues specific to the organisations covering environmental, social and governance sustainability factors. The GRI have recently launched a biodiversity standard, the 'GRI 101: Biodiversity 2024', which comes into effect on the 1st of January 2026. GRI 14: Mining Sector 2024 is planned to be in effect for reporting in January 2026. Since January 2024, GRI have added two additional sector standards: GRI 12: Coal Sector 2022 and GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022.

Benefits

- Regarded as a very high standard of reporting.
- Methodology, category information and assessing are extremely clear.
- First agreed-upon global standards for sustainability reporting.
- The GRI Standard can be used to prepare a sustainability report.
- Selected GRI standards can be used to report specific information in accordance with a globally accepted standard.
- Reporting can be externally verified to demonstrate accuracy and veracity.

VOLUNTARY



EU



ESG



BREEAM

Building Research Establishment Environmental Assessment Method

BREEAM is a sustainability scheme grounded in scientific principles and tailored for the built environment. Developers can gain third party certification of the assessment of a building's economic, social, and environmental sustainability performance using the BREEAM standard. BREEAM set of standards and schemes applies beyond new build assets, covering the entire built environment life cycle, including New Construction, In-use, Refurbishment & Fit-out, Communities, and Home Quality Mark.

Who certifies?

Any developer can choose to partake in this assessment and gain BREEAM certification.

Route to certification

Certification involves a 4-part modular approach: (1) Fabric and structure, (2) Mechanical and Electrical, (3) Local services and (4) Specific to project.

Assessment provides a score from Outstanding to Pass, with a fail requiring less than 30%.

Where is it reported?

- Certain sectors may include it in their annual reports, such as real estate or construction.
- Reported to planning bodies which request certain BREEAM scores.

Benefits

- There are social benefits to certified buildings which promote a healthy working environment.
- It provides a competitive edge for developers wanting to showcase their Corporate Social Responsibility (CSR) credentials.
- A range of certificate options allows for flexibility.
- BREEAM ratings are increasingly required on UK local and governmental buildings.

VOLUNTARY



INTERNATIONAL



GRESB

Global Real Estate Sustainability Benchmark

GRESB (Global Real Estate Sustainability Benchmark) assesses and benchmarks the ESG performance of real assets, supporting the production of a standardized and validated data set to the capital markets.

Who reports?

The solutions extend into 3 major categories:

- Real estate: for investors, asset managers and other companies with investments in existing or developing real estate
- Infrastructure: for investors, asset managers/owners/operators with investments at all levels of existing or developing infrastructure
- Asset Impact: for financial institutions with portfolios spanning multiple sectors

What is reported?

Real Estate: management, performance and development components are measured

Infrastructure: management and performance components are measured

For Asset Impact it will depend on the characteristics of the portfolio but may include any of the 3 previous components mentioned.

Assessment participants receive a score and a comparison report which benchmarks them against their peers.

How is it reported?

The reporting cycle is broken up into 5 key periods:

1. Assessment development
2. Assessment reporting period
3. Validation scoring and benchmarking
4. Assessment results
5. Consultation period

Where do we find the results?

Preliminary results are unveiled in September to allow companies to exchange with GRESB examiners to foster collaboration and give recommendations.

Real Estate and Infrastructure Assessment results for Participants and Investors are launched in October.

Benefits

- It showcases sustainability efforts to investors.
- Helps identify challenges to portfolio energy efficiency and report progress.
- It benchmarks participants against peer groups.
- It provides credit for the independent verification of external sustainability reporting, including GRI and CDP.
- Participants receive information on where they stand against their peers; Participants are given a roadmap with the actions they can take to improve their ESG performance; Participants have a communication platform to engage with investors.

LEED

Leadership in Energy and Environmental Design

Developed by the United States Green Building Council (USGBC), the LEED certification aims to create healthy, highly efficient, and cost-saving environmentally responsible buildings. LEED is applicable for all building types and phases (new construction, interior fit outs, operations, maintenance, and core and shell). It provides eligible companies with a globally recognised certification of best practice in sustainable buildings as LEED has increased in popularity around the globe.

The latest version of LEED, v5, is an important milestone in the effort to align the built environment with the Paris Climate Accord's 2030 and 2050 emission reduction targets. The rating system addresses crucial issues such as equity, health, ecosystems, and resilience. The credit is derived from six categories: climate change (35%), direct impact to human health (20%), impact on water resources (15%), biodiversity (10%), green economy (10%) and the impact on community (5%) and natural resources (5%).

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Who certifies?

Virtually all building types and all building phases are eligible with different types of LEED certifications to match them. The certification system consists of five different areas:

- Building Design and Construction
- Interior Design and Construction
- Building Operations and Maintenance
- Neighbourhood Development
- Homes

The LEED certificate and reporting standards are recognised globally.

Route to certification

To be certified the building project needs to obtain points and meet green building standards that will then be validated. Levels of certification progress from Certified, Silver, Gold and Platinum depending on the number of points accrued.

In order to earn credits to achieve certification in one of the above categories, the project must meet standards within the following areas:

- Location and transportation
- Materials and resources
- Water efficiency
- Energy and atmosphere
- Sustainable sites
- Indoor environmental quality
- Regionally-specific concerns

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ESG



Benefits

Better for business

- Help meet investor-led ESG goals - measure and manage real estate performance, prioritising building efficiency and decreasing operational costs.
- Increased occupancy rate: in recent years occupancy rates for LEED-certified assets has seen a rise from 90 to 92%.
- Market Differentiation: LEED states that certified properties are able to command higher rent (11%) and sell for more (20%) than their non-LEED counterparts.

Better for People

- Improved quality of life for occupants, creating healthier and happier spaces.

Better for the Environment

- Reduce energy use and carbon emissions.
- Reduce Waste.
- Green Materials.

VOLUNTARY



UK



SKA

The SKA rating is an environmental assessment method and standard for non-domestic (offices, retail & Higher Education) fit outs, with performance against the assessment rated as Bronze, Silver or Gold. It was initially run by the Royal Institution of Chartered Surveyors (RICS), but ownership of the rating transferred to SKA rating Ltd in February 2024.

The scheme also includes a SKArating Product Compliant Label, designed to help promote and identify products that meet individual SKA rating criteria.

Updates to the rating's operational processes and accreditation opportunities are expected in late 2024.

Who certifies?

This is a self-assessment carried out by either the landlord or the tenant of a building/office site, depending on who is undertaking the fit out project. If a company owns its offices, then the responsibility falls upon them.

Route to certification

SKA ratings comprise 100 good practice measures across eight areas:

1. Energy use
2. Carbon dioxide emissions
3. Materials
4. Waste
5. Water
6. Wellbeing
7. Pollution
8. Transport

During this process, evidence is gathered to prove that what has been specified has been delivered and that in conjunction with this, waste benchmarks have been achieved.

Benefits

- Potentially reduces operational costs
- Boosts brand image
- Improves employee health/wellbeing
- Can attract and retain talent, due to placing importance on issues of sustainability and climate change
- It is a self-assessment, with an independent certificate also available for those who wish to pursue one
- Provides guidance on environmental good practice for fit-out projects
- Helps to benchmark improvements across future fit outs and against others in the industry
- Can support other accreditation processes such as ISO 14001

TCFD - Public Companies

Task Force on Climate-related Financial Disclosures

Released in 2017, the TCFD framework provides disclosure recommendations for companies to ensure that investors, lenders and underwriters have access to relevant, consistent information to appropriately assess and price climate risks and opportunities. The United Kingdom became the first country in the world to make TCFD aligned disclosure mandatory for large UK-registered companies from April 2022 and since then many other jurisdictions have also introduced TCFD legislation.

Since the end of 2023, the TCFD recommendations have been under the management of IFRS Foundation, and were used as foundations to build the IFRS S2 standard.

In the UK TCFD has the potential to be superseded by the UK Sustainability Reporting Standards, which is how the UK plans to endorse and adopt the IFRS S1 and S2 standards.

MANDATORY (UK)



UK



CLIMATE RISK



FINANCIAL RISK



Who reports?

Regulated by the Financial Conduct Authority (FCA), the regulations apply to all publicly traded companies, who must disclose their TCFD information within their financial filings.

- Premium listed companies from 1st Jan 2021
- Standard listed companies from 1st Jan 2022

What is reported?

The disclosure recommendations cover 4 key themes, designed to provide information to help investors and stakeholders understand how the reporting company considers and assesses climate-related risks and opportunities. A key element of disclosure is the financial impact that climate risks and opportunities are anticipated to have on financial performance in different scenarios.

Governance

Is climate change governance defined and sufficient at all hierarchical levels, especially at the highest level?

Strategy

What are the impacts (actual and potential) of climate related risks and opportunities on business strategy and financial planning? How resilient is the business strategy under various climate scenarios, including a low carbon scenario?

Where the recommendations of the TCFD have not been implemented, an explanation of why and a description of steps to be taken to address this should be disclosed.

Risk management

How are climate-related risks and opportunities identified, assessed and managed within the company? How is this process integrated in to wider risk management? Is this approach fit with the general risk management of the company?

Measures and objectives

What indicators and targets should an organisation use to measure and manage climate-related risks and opportunities? What are the company's emissions on Scopes 1, 2 and 3?

Benefits

- Regarded as best practice, forms foundation of IFRS S2.
- Enables company specific analysis and strategic management of climate change exposure, aiding economic robustness.
- Encourages effective risk analysis and transparent disclosure, facilitating to informed investment decisions
- Encourages the identification of opportunities so an organisation can benefit from forward thinking on climate change.
- TCFD recommendations are incorporated into the credit rating of Standard and Poor's Global Rating.
- Provides mechanism to clearly communicate to investors how climate-risk and opportunities are being integrated in to wider business strategy and financial planning.
- Provides a robust Measurement, Reporting, and Verification (MRV) system for effective monitoring



More information

Please refer to the TCFD - International and TCFD for Asset Managers sections of this document for further detail on TCFD for financial institutions and organisations outside of the UK and check out our full TCFD factsheet for more detail on TCFD.

[TCFD International](#) ▶

TCFD for AMs

Task Force on Climate-related Financial Disclosures for Asset Managers

The FCA's TCFD-aligned regulations apply to asset managers, life insurers and FCA-regulated pension providers and must cover a reporting period of 12 months starting no earlier than 1st January of the previous calendar year.

MANDATORY (UK)



UK



CLIMATE RISK



FINANCIAL RISK



Who reports?

This regulation only applies to UK-based asset managers and owners with over £5bn in AUM or AUA, calculated on a 3-year rolling basis. This is regardless of where the clients, products or portfolios are located. The £5bn threshold will be reviewed in 2025.

What is reported?

The TNFD has four recommended disclosure areas that are aligned to the recommended disclosure areas of the TCFD.

Governance. Disclose the effects of nature-related dependencies, impacts, risks and opportunities.

Strategy. Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.

Risk & impact management. Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risk and opportunities.

Metrics & targets. Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.

Benefits

Disclosure can allow companies to enhance and protect their reputation, attract capital, and track and benchmark progress.

The TNFD framework was designed to complement, and build on the structure of, the disclosure framework developed by the TCFD. It is also designed to be interoperable with the International Sustainability Standards Board's (ISSB) Sustainability Disclosure Standards (SDS). The TNFD works with the Science Based Targets Network to ensure alignment in the way nature-related risks are understood.

The TNFD also provides supplementary guidance which includes sector-specific guidance, guidance on the TNFD's approach for the identification and assessment of nature-related issues, guidance by biome, scenario analysis, engagement guidance, and target setting.

TNFD

The Taskforce on Nature-related Financial Disclosures

The Taskforce on Nature-related Financial Disclosures (TNFD) is a global science-based initiative that develops and delivers risk management and disclosure frameworks for organisations to report and act on evolving nature-related issues. The Taskforce provides recommendations on what to disclose on these issues to capital providers, regulators and other stakeholders.

TNFD developed the four-step LEAP framework to help companies assess nature-related risks, with the key steps of:

- Locate a company's relationship with nature.
- Evaluate its impacts.
- Assess the challenges and opportunities.
- Prepare to respond and report.

The use of LEAP is a key difference between TNFD and TCFD.

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INTERNATIONAL



ESG



INVESTOR-LED



Who reports?

The TNFD recommendations are designed for organisations of all sizes, across all sectors and along value chains.

The recommendations and guidance are relevant to a wide range of market participants and market enablers: Corporates; Investors and financial Institutions; Regulators; Stock exchanges; Assurance and accounting firms; Data providers, credit rating agencies and financial service providers.

What is reported?

The TNFD has four recommended disclosure areas that are aligned to the recommended disclosure areas of the TCFD.

Governance

Disclose how a company's nature-related dependencies, impacts, risks and opportunities are governed, including the level of board oversight.

Strategy

Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.

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What is reported?

Risk & impact management

Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risk and opportunities.

Metrics & target

Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.

Benefits

- Encourages effective risk analysis and transparent disclosure, facilitating to informed investment decisions.
- TNFD disclosures provide insights for organisations into where their nature-related dependencies, impacts, risks and opportunities are.



IFRS I and IFRS II

The sustainability standards of the ISSB (International Sustainability Standards Board)

In June 2023, the ISSB published IFRS S1 (general) and IFRS S2 (climate) reporting standards to help companies communicate their sustainability efforts. Applicable from 2024 for reporting in 2025, these standards will make it easier to measure the risks and opportunities across an organisation's entire value chain in the short, medium and long term. IFRS S1 and S2 are based on the principle of simple materiality with a focus on climate risk analysis, while integrating the measurement of Scope 1, 2 & 3 emissions, emission reduction commitments, carbon offsetting and the internal price of carbon, among others.

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CLIMATE RISK



FINANCIAL RISK



Who reports?

Any company can voluntarily use these standards as the basis for its annual reporting. It should be noted that governments may make it compulsory for companies to adopt these standards. The UK Government is planning to introduce IFRS-based reporting in 2025, though requirements will not be in effect until the accounting period begins on 1 January 2026. Meanwhile, both Japan and Canada are also looking to introduce IFRS-based reporting in the coming years.

What is reported?

The ISSB's extra-financial standards incorporate the TCFD's recommendations and are based on IFRS (International Financial Reporting Standards) accounting standards.

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information:

This standard sets out general financial reporting requirements relating to sustainability-related risks and opportunities. The following information will be disclosed:

- The processes used by the organisation to identify, assess, prioritise and monitor risks and opportunities;
- The organisation's strategy for managing these risks and opportunities;
- The governance processes, controls and procedures for monitoring, managing and overseeing risks and opportunities;
- The organisation's performance in relation to risks and opportunities, including progress towards achieving objectives it has set or is required to meet by law or regulation.

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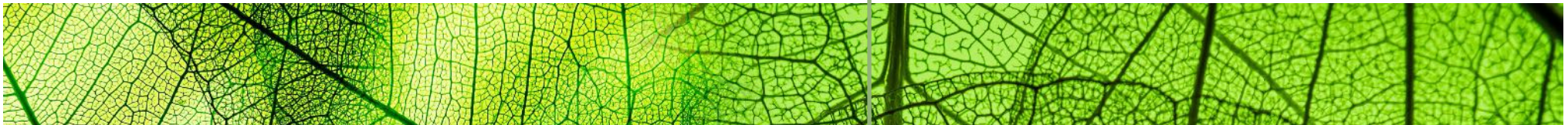
INTERNATIONAL



CLIMATE RISK



FINANCIAL RISK



What is reported?

IFRS S2 Climate-related Disclosures:

This standard will oblige companies to disclose information on their climate-related risks and opportunities. Specifically on how they analyse physical and transitional risks and the resulting opportunities throughout the value chain. The information communicated will concern:

- Analysis of physical and transitional risks and climate-related opportunities;
- Adaptation of the business model and strategic decisions to climate change;
- Consideration of the financial impact of climate change on the company's activities;
- Climate resilience, taking into account short-, medium- and long-term adaptation measures;
- The publication of Scope 1, 2 & 3 emissions, as well as the associated reduction trajectories and the inclusion of an internal carbon price;
- Inclusion of climate targets and how these are set
- Inclusion of CSA

Benefits

- Interoperability of these standards with numerous climate indicators of the CSRD.
- Recommendation to publish specific indicators on resilience, financial positions, metrics and trajectories.
- New basis for supporting investors in redirecting their capital according to companies' commitments.
- Improved international alignment of reporting will help to streamline risk management processes.



DJSI

The Dow Jones Sustainability Indexes

The DJSI is a set of benchmark indices for responsible investment. These indices, whether regional or national, assess the performance of companies' economic, social and governance (ESG) criteria and enable investors to make informed decisions to encourage more responsible investment portfolios.

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ESG



HIGH REPUTATION



Who reports?

DJSI is voluntary with no exclusion criteria.

Approximately 4,500 companies are invited to respond annually to the S&P Global Corporate Sustainability Assessment (CSA) that informs the selection for inclusion in the Dow Jones Sustainability Index. However, only the top 2,500 global companies by market capitalisation are eligible for inclusion.

Unlike the FTSE4Good, the DJSI sends a questionnaire for companies to complete rather than undertaking an assessment on publicly available information.

Based on their sustainability scores, the top 10% most sustainable companies from the 2,500 largest companies are then included in the global index.

What is reported?

The questionnaire covers three areas: Economic, Environmental and Social.

50% of the questionnaire is industry-specific allowing companies to be compared directly against their sector peers.

Where is it reported?

The top 10% of eligible companies benchmarked by DJSI are included in the annual DJSI World Index (i.e. the 250 highest benchmarked companies globally).

All additions and deletions to the index are also noted. Companies are required to enhance and refresh their sustainability initiatives in order to ensure they remain included. Companies can be deleted from the index if they fail to do so.

Benefits

- Provides investors with a best-in-class benchmark
- Helps investors to account for sustainability in their decision-making process
- Well resourced, robust and well-respected methods of demonstrating environmental commitment through standardised testing.
- Industry-specific questionnaires allows for peer comparisons
- TCFD recommendations are incorporated into the credit rating of Standard and Poor's Global Rating.



CDP

CDP (formally known as the Carbon Disclosure Project) is an international non-profit organisation established in 2000. It runs a global environmental disclosure system, that is used by investors, companies, states, cities and regions to manage their environmental impacts on an annual basis. It is considered the global gold standard for environmental reporting and houses one of the most comprehensive environmental datasets. The disclosure system takes the form of an integrated questionnaire that is responded to each year and covers topics such as; climate change, water security, forests, supply chain, plastics and biodiversity. Companies and cities are scored through the annual reporting process and given a score from D to A, providing an overview of where they sit on their journey towards environmental leadership.

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Who reports?

Those who report are either: (1) responding to a request filed by investors, (2) responding to a request filed by customers, (3) self-selected companies.

In the last disclosure period over 23,000+ companies disclosed, representing 2/3 of global market capitalisation. Investor Partners and Supply Chain Members represent \$142 trillion USD in investor assets and \$6.4 trillion USD in purchasing power. Over 1,100 cities, states and regions also disclose their environmental information in 2023.

What is reported?

In 2024, CDP integrated the three questionnaires covering climate change, water security and forests, into one questionnaire, to signify the interdependence of all three themes and to reduce reporting burdens. The questionnaire is split into modules and the first six modules are integrated modules covering:

1. Introduction questions
2. Identification, Assessment and Management of Dependencies, impacts, risks and opportunities
3. Risks and Opportunities
4. Governance
5. Business Strategy
6. Consolidation Approach
7. The Climate Change module requests information on transition plans aligned to a 1.5°C pathway, climate scenario analysis, report Scope 1, 2 and 3 emissions and energy data, third-party verification information and any climate and net-zero targets.
8. The Forests module enables investors to understand

company exposure and risk associated with deforestation. Questions address the verification and monitoring of commitments, policies and standards and strategy for using forest commodities.

9. The Water Security module asks respondents to evaluate and disclose information on existing and future water risk, water strategy and water use.

10. and 11. The Plastics and Biodiversity modules are included for all companies this year but are currently not scored. They include questions on targets, plastic use, plastics packaging and waste, biodiversity commitments and indicators and operations in areas important for biodiversity.

12. The Financial services module requests specific information from financial institutions only, relating to portfolio and financed emissions and their impact, sustainable finance taxonomy and fossil fuel assets.

13. The further information and sign-off module is an integrated module that all companies must respond to.

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Scoring

Companies fall within an A - D scoring band, progressing through grades as thresholds for four levels are met.

Failure to respond when requested results in an F grade:

- **A/A- Leadership:** meeting leadership requires management criteria are met and identifies whether companies are taking ambitious action and implementing best practice to address climate change. Leadership status indicates a high level of engagement, commitment and verification.

- **B/B- Management:** indicates a higher engagement with question criteria.
- **C/C- Awareness:** certain questions will award points for engaging with specific criteria that often require greater verification or engagement with emissions outputs.
- **D/D- Disclosure:** all questions are scored on the disclosure level, and points are awarded for responding.

Benefits

- Extremely high visibility for stakeholders, investors and peers.
- It has a high reputational value for those who score an A and make the A List.
- Companies are increasingly expected by investors and customers to report to CDP.
- The framework aligns to others such as TCFD, TNFD, IFRS S2, SDG's, SBTi and RE100.
- It enables investors to see that companies are incorporating sustainability into their business strategy and practices, so they can assess climate change risk in their investment portfolios.
- Companies can proactively address investor queries and expectations by disclosing to CDP.
- CDP can be used as a benchmarking tool to understand how your peers, suppliers and customers are doing.
- Identifies strengths & gaps in your current strategy and allows you to plan for longer-term horizons.
- Provides mechanism to clearly communicate to investors how climate-risk and opportunities are being integrated in to wider business strategy and financial planning.

Where can we find the results?

The scores and responses are communicated and made public on the CDP website.

Organisations may opt for a “non-public” outcome, where only investors who request it can see their rating. However, transparency to the public is rewarded with extra points.

RE100

Renewable Energy 100

The RE100 initiative is a global programme promoted by the Climate Group, an international NGO, in partnership with the CDP. The aim of the RE100 is to bring together major companies that want to source 100% of their energy from renewable sources by 2050.

Alongside the RE100, other initiatives have emerged to achieve this goal, including EP100, EV100, ConcreteZero, RouteZero and SteelZero.

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Who can apply?

To become a member of RE100, companies must demonstrate a significant energy demand of at least 0.1

TWh / 100 GWh / 100,000 MWh. Certain exceptions exist

for companies that may be "influential":

- Key player in a priority sector or region for RE100.
- Willingness to promote RE100 in the region/sector.
- Multinational and/or world-renowned brand (Fortune 1000 or equivalent).

Companies involved in fossil fuels, airlines, munitions, gambling and tobacco are excluded.

Electricity companies and technology providers/ developers will also generally not be eligible to join.

Subsidiary organisations can join if: they have separate branding from parent company or if their electricity consumption is greater than 1 TWh/year.

What is reported?

Member companies publicly commit to sourcing 100% of their electricity from renewable sources throughout their value chain, with a minimum of 60% by 2030, 90% by 2040 and 100% by 2050.

Each year, their energy consumption must be reported in relation to these targets justifying the origin of the energy consumed.

Progress is reported via the CDP questionnaires. The energy will be justified as renewable using one of these 8 methods:

- Own production
- Purchase of energy produced by third parties at the point of consumption
- Produced by third parties without connection to the grid PPA
- Green energy products from suppliers
- Purchase of GO
- Renewable energy by network
- Energy supplied by a network with at least 95% renewable distribution.

When to report?

From the year in which a company has been accepted as a member of the initiative, it will have to communicate annually on its progress.

Guidance changes

As of 2024, RE100 has made some technical guidance changes that includes:

- Members need to obtain 85% of their renewable electricity or GOs from power plants constructed or recommissioned within the last 15 years
- Electricity produced by biomass and hydropower is now acknowledged provided it meets specific sustainability requirements
- RE100 market boundaries for Europe have been adjusted to align more closely with that of CDPs

EV100

The EV100 is a global initiative promoted by the Climate Group, an international NGO, in partnership with organisations such as the We Mean Business Coalition. The aim is to bring together companies that are committed to electrifying their owned and contracted fleets and installing charging infrastructure for both employees and customers by 2030. So far, 128 companies have signed up to EV100.

EV100+ is the Climate Group's new initiatives that incorporate the transition to zero-emissions of medium and heavy-duty vehicles (MHDVs).

VOLUNTARY



INTERNATIONAL



INVESTOR-LED



Who can apply?

Open to any company provided they make a public commitment that by 2030 they will transition their vehicle fleet to EVs. An additional voluntary commitment can be adopted which states that the participating company will also install appropriate charging infrastructure at their premises.

What is reported?

Member companies report annually to the EV100 regarding the progress they have made towards achieving their stated commitment. These disclosures are then published by the EV100 in their 'Progress and Insights Report' for that calendar year. An additional voluntary commitment can be adopted which states that the participating company will also install appropriate charging infrastructure at their premises.

Benefits

1. Companies can position themselves as leaders in the field by aligning with a recognised programme.
2. Can benefit from profiling opportunities at the Climate Group's high-level events and media platforms providing opportunities to reinforce your company's reputation.
3. Allows members to connect into a broader network of climate leadership initiatives for low-carbon mobility.

CSRD

Corporate Sustainability Reporting Directive

The Corporate Sustainability Reporting Directive (CSRD) was enacted to drive accountability and transparency, while promoting ESG practices. CSRD is more precise and demanding than the Non-Financial Reporting Directive (NFRD), substantially increasing reporting requirements and the number of companies that fall within scope (c.50,000 entities).

The companies that are required to report under CSRD will need to adhere to the European Sustainability Reporting Standards (ESRS).

In a context of regulatory simplification, the proposed “Omnibus” legislation could ease the obligation to apply the directive, notably by reducing the number of mandatory companies to 7,000.

MANDATORY



EU



ESG



Who reports?

- From financial year 2024 (publication in 2025): large companies with over 500 employees already subject to the NFRD (Non-Financial Reporting Directive).
- From financial year 2025 (publication in 2026): large companies not subject to the NFRD. The omnibus proposal could introduce an additional 2-year deferral (publication by no later than 2028).
- From financial year 2026 (publication in 2027, derogation possible until 2028 and exemption possible via the omnibus): SMEs listed on the stock exchange.
- From financial year 2028 (publication in 2029): Non-European companies with substantial activity on the EU market (< 150 million in annual sales) and a subsidiary/branch active at European level.

What is reported?

The disclosure must contain quantitative and qualitative measure across the short-, medium-, and long-term spanning the entire value chain. Organisation must report on how their activities impact the environment and society as well as how sustainability issues have affected the companies financial performance (double materiality assessment).

Reporting Requirements include:

- Environmental matters (carbon, emissions, resource use etc.)
- Social and Employee related issues
- Human rights and anti-corruption
- Governance practices

Benefits

1. Improves accountability and transparency while simultaneously promoting best practice.
2. Deepens understanding of the environmental risks and/or opportunities that your organisation faces, accelerating response.
3. Incorporating compliance into your business strategy helps unlock profit and purpose, protects your reputation and drives long-term sustainable growth.
4. Enhances reputation and market advantage providing better access to funding and addressing investor sustainability requirements.



EU Taxonomy

The European Union (EU) Taxonomy is part of the European Green Deal, the EU's plan to reach climate neutrality by 2050, and is a crucial element of the European Sustainable Finance Strategy. It is a classification establishing which economic activities are sustainable according to climate, environmental and social criteria.

Who reports?

From 2024, large companies and financial institutions that are already required to provide a declaration under the NFRD and meet 2 of the 3 following criteria:

- 250 employees
- A balance sheet of more than 25M Euros
- A turnover of more than 50M Euros

From 2025 the timeline will align with that of CSRD:

- From the 2025 financial year (publication in 2026): large companies not subject to the NFRD
- From the 2026 financial year (publication in 2027, derogation possible until 2028): listed SMEs
- From 2028 (publication in 2029): large non-European groups with >150M Euros turnover in the EU

The 'Omnibus' proposal could, however, reduce the number of obliged companies to 7,000, by including a minimum turnover threshold of €450m.

What is reported?

Since January 2022, companies and financial institutions have been required to publish their analysis of eligibility for the European taxonomy. In 2023 for companies and in 2024 for financial institutions, alignment will have to be communicated publicly.

The eligibility analysis represents an analysis of the activities of the company or the activities financed that are considered by the European Union to be able to contribute significantly to the ecological transition. The shares of turnover, operating expenditure (OPEX) and capital expenditure (CAPEX) of these activities must be published.

The alignment study consists of verifying that the eligible activities meet the technical criteria ensuring that they are sustainable. The economic activities must contribute to one of the six environmental objectives below and not harm the other objectives, while respecting social rights:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

If all criteria are met, the activity is considered to be aligned. The 'Omnibus' draft law might make OPEX reporting requirements more flexible, as well as reducing the conditions under which certain criteria must be met.

Benefits

- The EU Taxonomy is a step towards harmonising the classification of green activities
- Allows investors to compare their portfolios and financial products according to environmental characteristics
- Aligns every organisation in the financial markets in Europe with the efforts to achieve the commitments made in the Paris Agreement
- Supports three legislative initiatives with direct implications for organisations and investment firms in terms of reporting, turnover and capital or operating expenditure, as well as eco-labelling and standards

TCFD - International Regulations

The TCFD recommendations were developed for use globally. Several jurisdictions outside of the UK have implemented their own climate risk reporting requirements that are, at least in part, aligned to the recommendations of the TCFD. Where legislation is not in place, countries in these locations are encouraged to report on a voluntary basis.

This landscape is rapidly evolving and will be subject to updates in the near future, driven by the likely adoption of the ISSB's IFRS S1 and S2 standards globally.

MANDATORY



INTERNATIONAL



CLIMATE RISK



FINANCIAL RISK



Who and what is reported?

The information disclosed varies from region to region, but will always include some, if not all, of the TCFD's recommendations. Furthermore, some disclosures will require additional sustainability-related disclosures.

Australia: Mandatory disclosure from 2024/2025.
 Brazil: BCB regulations from 2022; CVM Resolution 59 from 2023
 California: Climate Disclosure Bill from 2025
 Canada: OSFI Regulations from 2024; Crown Corporations from 2022; CSSB TBC
 Colombia: Regulation 031 from 2021
 EU: CSRD from 2023
 Eypgt: FRA Decrees 107 & 108 from 2022
 Hong Kong: The Exchange Regulations from 2025
 Japan: FSA for listed companies from 2023; SSBJ from TBC
 New Zealand: CRD for ~ 200 companies from 2023
 Singapore: SGX applies to all SGX-listed issuers from 2022.
 Switzerland: Ordinance on Climate Disclosures from 2024
 USA: SEC Climate Disclosures Rule from 2024

Further global adoption

Additional roll out of TCFD aligned legislation is likely to be superseded by the ISSB's IFRS S2, of which the TCFD recommendations form the foundation.

CFD

Climate-related Financial Disclosure

In 2022 the UK Government launched the Climate-related Financial Disclosure (CFD) regulations, introducing mandatory climate change reporting requirements for hundreds of large UK private companies and limited liability partnerships (LLPs).

CFD is a UK-based Companies Act legislation to publicly disclose on climate change related risks and opportunities. It is mandatory to produce disclosures against the requirements of the legislation which broadly cover how climate change is addressed in corporate governance; the impacts on strategy; how climate related risks and opportunities are managed; and the performance measures and targets applied in managing these issues.

MANDATORY



UK



CLIMATE RISK



FINANCIAL RISK



Who reports?

CFD regulations apply to companies to which one or more of the following applies:

- UK company currently required to produce a non-financial information statement, have ≥ 500 employees and either have transferable securities admitted to trading on a UK regulated market or are banking companies or insurance companies
- ≥ 500 employees and Securities admitted to AIM
- ≥ 500 employees and turnover of £500m or more

And to LLPs:

- That are not traded or banking LLPs and have ≥ 500 employees and a turnover of £500m or more
- That are traded or banking LLPs with ≥ 500 employees

The regulations apply for financial years starting on or after 6th April 2022.

What is reported?

While the CFD is broadly aligned to the TCFD recommendations, there are some key differences:

- The CFD has 9 recommendations, as opposed to the TCFD's 11
- An explanation of whether risks are assessed at group or subsidiary level
- Climate scenario analysis that includes a 1.5°C scenario and detailed analysis of results every 3 years

CFD recommendations focus on the "Why?", as opposed to the "what?" and "how?" covered by TCFD. For examples, WHY particular scenarios were used for CSA.

For companies: disclosure should be made in the Non-Financial and Sustainability Information Statement in the strategic report.

For LLPs: disclosure should be made in the Strategic Report, where applicable, otherwise in the Energy and Carbon Report contained within the Directors' Report.

Benefits

- Encourages the identification of opportunities so an organisation can benefit from forward thinking on climate change.
- Demonstrates to investors and stakeholders a company's level of ambition and strategy to achieve targets.
- Provides confidence that climate mitigation and adaptation is embedded in strategic and financial planning.
- Acts as an accountability mechanism and a clear communication tool.

SEC Climate Disclosure rule

The Securities and Exchange Commission Climate Disclosure rule

The SEC Climate Disclosure Rule, proposed in March 2022, aims to enhance the climate-related disclosures of US publicly traded companies by including information relating to climate-related financial risks. The objective of this is to assist investors in evaluating companies' exposure to these risks.

Originally set for a 2023 implementation, the rules were finalised in March 2024 with reporting set to begin from the FY 2026. However, the SEC have placed the rules on hold pending the resolution of litigation proceedings. The disclosures will bring the US closer to aligning with disclosure requirements in other regions like the EU, although recent revisions have scaled back some of the proposed requirements.

It should be noted that the future of these rules are uncertain in light of President Trump's re-election, with more clarity likely to come in the next few months.

MANDATORY



INTERNATIONAL



CLIMATE RISK



FINANCIAL RISK



Who reports?

Regulations will apply to all SEC-registered companies, including foreign issuers.

Whilst no company has to report if they deem their emissions to be immaterial, those companies that do report will do so differently, with the scope of reporting depending on their status. For example, smaller reporting companies (SRCs) and certain other groups are exempt from the requirement to provide GHG emission disclosures.

What is reported?

The SEC Climate Disclosure Rules require companies to report:

- Any climate-related target or goal if such target or goal has materially affected (or is reasonably likely to) the registrant's business strategy, results of operations, or financial condition, progress towards this target, and a discussion of the material impacts themselves
- If carbon offsets or RECs have been used as a material component of a registrant's plan to achieve climate-related targets or goals, then registrants are required to disclose the details associated with these
- Any Scope 1 and/or Scope 2 emissions that are considered material, and the organisational boundaries & protocol/standard associated with these calculations (Scope 3 emissions do not need to be reported)

MANDATORY



INTERNATIONAL



CLIMATE RISK



FINANCIAL RISK



What is reported?

- Any climate-related risks reasonably likely to have a material impact on the registrant and the timeframes associated with these (opportunities do not need to be disclosed); these risks should be split between physical and transition risks and the extent to which the registrant is exposed to these should be highlighted
- Registrant will be required to provide details on a transition plan if it has adopted the plan to manage a material transition risk, on a scenario analysis if one has been used to identify the likelihood of a material impact to the registrant, and on an internal carbon pricing if such use is material to how it evaluates and manages a material climate-related risk with material impacts
- Includes a requirement to disclose a description of the board's oversight of climate related risks as well as whether any management positions have climate-risk expertise
- The financial impact of severe weather events & other natural conditions and carbon offsets & RECs should be disclosed, as well as any financial estimates and assumptions related to any transition plans disclosed by the registrant

Crucially, organisations do not have to report against many of these disclosures if they are not applicable to their company. For example, organisations that do not have a transition plan do not have to disclose a transition plan or create one to meet the SEC's requirements.

Information is to be disclosed in financial statements and annual reports (e.g. Form 10-K). The final rules create a new subpart 1500 of Regulation S-K and Article 14 or Regulation S-X, but the placement of the climate-related disclosures, other than the financial statement disclosures, are largely up to each registrant.

Benefits

Improve the transparency of climate-related risk information for investors of US-based companies.

California Climate Disclosure Bill

The California Climate Disclosure Bill consists of Senate Bill (SB) 253, which mandates the disclosure of all emissions (Scope 1 and 2 from 2026 and Scope 3 from 2027) and SB 261 which requires the disclosure of climate-related financial risks, in line with recommendations from TCFD and IFRS. The objective is to reconcile public investment with climate goals by enhancing transparency and standardising corporate disclosures.

MANDATORY



INTERNATIONAL



CLIMATE RISK



FINANCIAL RISK



Who reports?

SB 253 applies to US companies (both public and private) doing business in California with annual, global revenues exceeding 1 billion USD.

SB 261 applies to US companies doing business in California with annual, global revenues >500 million USD (this disclosure is biennial).

Note that this bill has been postponed by 6 months.

What is reported?

SB 253 (Climate Corporate Data Accountability Act) requires the public disclosure of Scope 1, 2 and 3 emissions from companies in relation to the greenhouse gas (GHG) protocol. Additionally, the information needs to be verified by an external, independent auditor. Assurance requirements vary deepening on the scope and evolve overtime from limited to reasonable assurance. Once this is complete the response needs to be submitted on a digital platform that is available publicly.

SB 261 (GHGs: climate-related financial risk) requires the biennial reporting of financial risks (on or before January 2026), disclosing the entity's climate-related risk and measures adopted to reduce and adapt to climate-related financial risks.

Benefits

- Enhance transparency for investors.
- Standardise disclosures for companies operating in California.
- Align public investment with climate goals.
- Enables personalised analysis and strategy for climate change exposure, aiding economic robustness.

Non-compliance

Companies not in compliance of SB 253 may face penalties up to \$500,000 per year.

Companies not in compliance of SB 261 may face up to \$50,000 in penalties per year.



CSDDD

Corporate Sustainability Due Diligence Directive

Provisionally agreed upon by the European Council and European Parliament in December 2023, the Corporate Sustainability Due Diligence Directive (CSDDD) aims to enhance the protection of the environment. It was formally adopted in July 2024, and sets requirements for large companies in relation to the impacts the operations of themselves, subsidiaries, and partners have on both human rights and the environment.

Who reports?

Large EU companies with more than 1000 employees and a net worldwide turnover of over €450 million.

Non-EU companies with over €450 million turnover generated in the EU within three years of the entry into force of the CSDDD. The European Commission will publish a list of non-EU companies that fall under the scope of the directive.

Financial institutions will be excluded from the directive pending a review into possible future inclusion.

The timetable for application varies according to the size of the company:

- From 2027: for companies with more than 5,000 employees and a turnover of more than €1,500 million,
- From 2028: for companies with more than 3,000 employees and sales of more than €900 million,
- From 2029: for companies with more than 1,000 employees and sales of more than €450 million.

The omnibus bill published in February 2025 would postpone the initial timetable by one year.

What is reported?

Under the directive, companies must identify, mitigate and prevent negative actual and potential human rights and environmental impacts in their operations, their subsidiaries operations, those of their business partners. This should cover upstream business partners and partially the downstream activities such as distribution or recycling.

The Directive includes duties for directors, which mandate the implementation of a due diligence process that is integrated into corporate strategy.

Companies are to develop a transition plan that ensures their business model complies with limiting warming to 1.5°C.

Companies not in compliance could face fines of up to 5% net turnover.

The 'Omnibus' law proposal could soften the reporting requirements for OPEX, as well as the conditions for meeting certain alignment criteria.

Benefits

- Protection of the environment and human rights.
- Increased transparency.
- Greater awareness of a companies' negative impacts.
- Risk management and resilience.

EU GCD

European Union Green Claims Directive

The EU's proposed Green Claims Directive (GCD) has emerged as a critical framework that provides consumers with clarity about corporate environmental claims. The directive seeks to curb greenwashing by mandating that companies substantiate their environmental claims with robust evidence.

MANDATORY



EU



ESG



Who reports?

The Green Claims Directive applies to all industries and companies selling goods and services in the EU. However, there will be some compliance exemptions for SMEs.

What is reported?

The European Commission will adopt clear rules on what companies must achieve before they can make explicit environmental claims (e.g. carbon neutral). Independent verifiers will be empowered to discern whether the terms have been used accurately or the chosen statements should be withdrawn.

The proposed general approach consists of:

1. Clear evidence-based claims
2. Prior verification and simplified procedure
3. Public environmental labels
4. Climate-related claims

Benefits

- Improves transparency
- Offers protection from unfair practices
- Prevents greenwashing
- Comparable and verifiable across the EU



TPT

Transition Plan Taskforce

The Transition Plan Taskforce (TPT), set up by the UK Treasury, released its gold standard framework for robust transition plan disclosure in 2023.

The TPT framework provides companies with specific guidance on the information required by investors and stakeholders to understand the resilience of a business in a low carbon economy. Designed to operate with the TCFD and the IFRS S1 and S2 it increases focus on the financial impacts business will face in remaining viable in the transition to a low carbon economy.

Who reports?

The framework is designed to be adopted and used by different jurisdictions, companies operating internationally, and is both applicable to finance sub-sectors and real economy sectors.

In 2024 the IFRS Foundation became responsible for TPT framework and guidance materials, signalling that the IFRS S2 requirement for a transition plan should be guided by the TPT framework.

In the UK the TPT is likely to be made mandatory as part of the UK Sustainability Reporting Standards (UK SRS).

What is reported?

The framework comprises 3 guiding principles of Action, Ambition and Accountability. This is supported by 5 key disclosure elements which each have a number of sub-elements for disclosure, offering a robust structure to facilitate organized data presentation throughout implementation. The 5 main disclosure elements are:

1. Foundation:

- Focus on objectives, priorities, and their implications for the business model.
- Address GHG emissions reduction, risk management, opportunities, and key milestones.
- Examine the impact on products/services, considering resourcing, cost, and material interdependencies.

2. Implementation Strategy:

- Disclose planned activities to achieve objectives and priorities.
- Include changes to strategy, resourcing, plans for GHG or carbon-intensive assets, and material interdependencies.
- Disclose alterations to products/services supporting the transition plan, encompassing the use of high-carbon products.
- Specify internal policies aligning with strategic ambitions, such as those related to energy or water use.

3. Engagement Strategy:

- Disclose current/planned activities across the value chain for feedback and alignment with strategic ambition.
- Encourage wider industry engagement to share expertise and address common challenges.

VOLUNTARY



UK



What is reported?

4. Metrics and Targets:

-Annually disclose metrics and targets tracking progress toward strategic ambition.
-Include financial metrics, GHG metrics, or the use of carbon credits.

5. Governance:

- Disclose governance arrangements supporting transition plans and meeting strategic ambitions.
- Address board oversight, reporting, senior management responsibilities, culture-building steps, incentives, remuneration, and skills/training aligned with strategic ambitions.

Benefits

As private sector organizations commit to achieving net-zero targets, there is an increasing demand for stakeholders to evaluate the credibility of their transition plans. The Transition Plan Taskforce is dedicated to promoting best practices grounded in three fundamental principles: ambition, action, and accountability.

Ambition

The set objectives and goals should be ambitious, contributing to the broader economy's net-zero targets. Reduction targets must encompass scope 1, 2, and 3 emissions, with a focus on actively reducing CO2 emissions rather than offsetting them with carbon credits.

Action

Companies should translate their ambitious goals into clear, actionable steps for the short, medium, and long term. These actions need to be supported by tangible plans addressing resourcing, financing, and operational considerations. Action plans should also outline key assumptions, dependencies, or uncertainties.

Accountability

Transition plans require oversight at the board level and should be supported by effective governance structures, incentives, and accountability processes. Metrics and targets must be quantifiable, with specified deadlines for completion. Annual reporting against these targets, including their incorporation into financial reporting, is essential. Transparency is crucial, including disclosure if external assurance has been sought for the transition plans.

In addition, the TPT:

- Helps stakeholders assess the credibility of transition plans in the private sector.
- Encourages ambitious objectives and goals for reducing emissions.
- Facilitates the breakdown of objectives into clear short, medium, and long-term actions.
- Ensures board-level commitment and accountability for transition plans.
- Supports the integration of climate objectives into mandates and objectives.
- Provides guidance on engagement strategies for wider feedback and change alignment.
- Offers transparency through clear metrics, targets, and reporting.
- Strengthens governance arrangements and accountability processes.
- Promotes innovation in emerging decarbonisation technologies.

VCMI Claims Code of Practice

The Voluntary Carbon Markets Integrity Initiative (VCMI)

The Voluntary Carbon Markets Integrity Initiative (VCMI) Claims Code of Practice was created to provide clear requirements, recommendations and supporting guidance to organisations on how they can make voluntary use of carbon credits as part of their net zero journey, as well as how best to communicate the use of these credits. Launched in 2023, organisations can make a credible Carbon Integrity Claim on an annual basis by following this standard.

The Claims Code of Practice is designed so that it builds on and aligns with existing benchmarks and corporate accountability frameworks (e.g. SBTi, CDP, GHG Protocol, etc), and ultimately shares the same goals of the Paris Agreement. The Claims Codes of Practice is therefore built with the aim of developing a high integrity voluntary carbon market based on transparent and consistent commitments and claims.

VOLUNTARY



INTERNATIONAL



CARBON



Who reports?

The VCMI Claims Code of Practice is designed for use by companies seeking to make credible, voluntary use of carbon credits and receive validation in the form of a VCMI Claim.

Equally, the standard can be used by:

- Companies that do not currently qualify for a Carbon Integrity Claim, in order to guide them as to what action needs to be taken in order to do so
- Individuals, businesses, and other buyers of goods and services seeking to make net-zero-aligned purchases
- Investors and other stakeholders who want to evaluate the credibility of a company's climate ambition and its actions, including its use of carbon credits
- Governments and their regulatory agencies considering how to incentivise non-state actors to use and communicate their use of carbon credits credibly through vehicles such as reporting requirements, advertising, policies, etc.

VOLUNTARY



INTERNATIONAL



CARBON



What is reported?

Companies that are looking to make a Carbon Integrity Claim must follow a four step process, submitting data relevant to the most recent reporting year:

1. Comply with the Foundational Criteria, including (but not limited to) setting and publicly disclosing near-term emission reduction targets & 2050 net zero targets.
2. Select one of three VCM Claims to make based on the volume of carbon credits purchased and retired, and publicly demonstrate progress towards meeting near term carbon reduction targets.
3. Meet the required carbon credit use and quality thresholds set out by ICVCM or CORSIA approved methodologies, and report relevant information pertaining to the retired credits (e.g. authorization by host country).
4. Obtain 3rd party assurance following the VCM Monitoring, Reporting & Assurance (MRA) Framework.

Benefits

- Supports the development of high quality carbon credit projects
- Aids brand reputation improvement efforts by supporting claims or declarations
- Facilitates strategic planning of all organisations, from business leaders to policy makers

Frameworks for Financial Institutions

Financial institutions play a key role in the transition to a net-zero economy. This new section of the eBook outlines the frameworks that are designed specifically for financial institutions. The reporting landscape is constantly evolving and the majority of these frameworks are voluntary, however there is an increasing expectation for financial institutions to improve their climate risk disclosures.

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The convergence of voluntary and mandatory frameworks is closing the gap on transparency and streamlining disclosure requirements for financial institutions. Organisations who embrace early adoption will strengthen the climate resilience of their portfolios, minimising risks and maximising value from emerging opportunities.

Martin Palmer
Associate Director, Business Development
martin.palmer@se.com

”



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INTERNATIONAL



EMISSIONS



PCAF

Partnership for Carbon Accounting Financials

The Partnership for Carbon Accounting Financials (PCAF) is a global partnership of financial institutions that work together to develop and implement a standardised approach for financial portfolio footprinting. PCAF's methodologies for calculating financed emissions are dependent on the asset class of the lending or investment, and the level of client-specific emissions and financial data available to the financial institution. The approach provides financial institutions with the foundations to set science-based targets and align their portfolio with the Paris Climate Agreement.

Who reports?

PCAF is accessible to any financial institution and therefore, the standard has developed GHG accounting methodologies as such. The following asset classes are currently covered by the methodology: listed equity & corporate bonds, business loans and unlisted equity, project finance, mortgages, commercial real estate, motor vehicle loans and sovereign bonds.

Over 500 institutions have so far disclosed or committed to disclose their financed emissions using the PCAF standard:

- Commercial banks: 331
- Asset owner/managers: 100
- Financial services groups: 40
- Development banks: 32
- Insurance: 27
- Investment banks: 13
- Export credit agencies: 6
- Integrated bank-insurance groups: 2
- Promotional banks: 1

What is reported?

This global standard is split into three parts:

Part A - Financed Emissions - guidance to measure and disclose emissions associated with seven asset classes:

- Listed equity and corporate bond
- Business loans and unlisted equity
- Project finance
- Commercial real estate
- Mortgages
- Motor vehicle loans
- Sovereign debt

- Assess climate-related risks in line with the Task Force on Climate-related Financial Disclosures (TCFD).
- Set science-based targets (SBTs) using the sectoral decarbonisation approach developed by the Science Based Targets initiative.
- Report to stakeholders like the Carbon Disclosure Project (CDP).
- Inform climate strategies and actions to develop innovative financial products that support the transition toward a net-zero emissions economy.

VOLUNTARY 

INTERNATIONAL 

EMISSIONS 



What is reported?

Part B - Facilitated Emissions - guidance for measuring and reporting emissions associated with capital markets issuances.

Part C - Insurance-Associated Emissions - guidance for measuring and reporting emissions associated with insurance underwriting.

Coming into 2024, PCAF has recently announced that it will concentrate its efforts in the following topics as a priority for methodology development: Transition finance and green finance; fluctuations in absolute GHG inventory (resulting from changes over time to the financial attribution metrics, such as EVIC); additional insurance products and securitised and structured products.

Benefits

Builds upon the recommendation of the GHG protocol while providing additional detailed information on (among others):

- Targeted Metrics that financial institutions should report against.
- Methodology for calculating emissions for different asset classes.
- Points of control regarding the financial and environmental data that companies should retrieve.

Calculating and disclosing financed emissions enables financial institutions to:

- Assess their climate-related transition risks in line with TCFD/ISSB and exposure to emission-intensive portfolios and industries
- Set Science-Based Targets using the SDA methodology.
- Add information to their CDP disclosure, potentially improving scoring

VOLUNTARY



INTERNATIONAL



ESG



PBAF

Partnership for Biodiversity Accounting Financials

The Partnership for Biodiversity Accounting Financials (PBAF) is an independent not-for-profit foundation that aims to develop the 'PBAF Standard', which enables financial institutions to assess and disclose their impact and dependencies on biodiversity of any loans and investments. As of 2024, there are over 70 financial institutions (with financial assets valued at \$15 trillion in total) that have supported or partnered with the PBAF.

The PBAF standard currently covers: sovereign bonds; listed equity/corporate bonds; project finance; mortgages; investments in green energy; motor vehicle loans and indirect investments.

Who reports?

The PBAF is open to any financial institution that wishes to partner with the organisation.

What is reported?

The PBAF standard provides a framework for companies to assess and report their impact on biodiversity and is based on four steps:

- 1) Scoping: identifying the key biodiversity-related risks and opportunities that are relevant to the company/financial institution. This includes the identification of ecosystems and species that are most affected by the company's activities.
- 2) Impact Assessment: This refers to the quantification of the impact of an organisation's activities on biodiversity and involves assessing the extent, magnitude, likelihood and duration of the impact.
- 3) Dependency Assessment: This step requires an assessment of the company's dependence on biodiversity and ecosystem services and entails the identification of goods and services the company relies on and accounting for their significance to the organisation's operations.
- 4) Mitigation and Management: The final step involves the development of strategies to mitigate the negative impact the company has on biodiversity whilst also finding ways to enhance the organisation's positive contributions to ecosystem services.

Benefits

- Acts as an introduction to biodiversity impact and dependency assessment in the financial sector
- Facilitates participation in the development of these assessment principles as well as engagement with relevant experts.
- Regular updates about other initiatives relevant to biodiversity accounting in the financial sector- e.g. the EU Taxonomy.

VOLUNTARY



INTERNATIONAL



ESG



TPT for Financial Institutions

The Transition Plan Taskforce

The Transition Plan Taskforce (TPT), set up by the UK Treasury, released its framework for robust transition plan disclosure in 2023, providing companies with specific guidance on developing best practice transition plans. As part of this, the TPT has produced specific guidance for the transition plans of financial institutions.

Who reports?

The TPT's Terms of Reference gave the TPT a mandate to produce guidance for a small number of finance and real-economy sub sectors.

The TPT confirmed these sectors as:

- Asset Owners;
- Asset Managers;
- Banks;
- Food & Beverage;
- Electric Utilities & Power Generators;
- Metals & Mining; and
- Oil & Gas;

What is reported?

The Asset Owners Guidance suggests, in addition to recommendations on engagement, metrics, and targets, that an entity should contemplate revealing the following:

1. Its goals and priorities for reducing financed emissions linked to investment activities, encompassing any commitments made and the reasoning behind those commitments.
2. Its goals and priorities for handling climate-related risks and seizing opportunities related to climate through investment activities.
3. Whether and how its interpretation of fiduciary duty aligns with the Strategic Ambition outlined in its transition plan.
4. Information about the short, medium, and long-term actions undertaken or planned within its investment process to realize the Strategic Ambition of its transition plan, whether applied to all or a portion of its investment activities.
5. Whether and how it incorporates the transition plans of its investee companies into its investment process, detailing its approach to assessing the quality and credibility of those plans.
6. When disclosing actions or plans, the entity may consider providing information at the asset class, sector, and/or geographic levels.
7. The extent to which it provides or plans to provide climate- or sustainability-linked products, including those linked to nature.

VOLUNTARY



INTERNATIONAL



ESG



Benefits

- Balancing the reduction of portfolio emissions through divestment and capital reallocation against engaging with new and/or existing clients and customers to aid in emissions reduction and bolster climate resilience.
- Providing financial assistance to high-GHG emitting entities to transform their business models and reduce long-term emissions versus financing short-term emissions reductions.
- Reducing portfolio emissions by engaging with entities to prevent deforestation, with the added benefits of preserving natural habitats.
- Supporting the expansion of renewable energy through financial means, resulting in co-benefits such as skill enhancement for workers and improved community access to affordable clean energy.
- Increasing financing for climate solutions that may require adjustments to risk appetite.
- Acknowledging trade-offs in investment decision objectives that contribute to achieving Strategic Ambition and broader business priorities.

SBTi FI

The SBTi-FI Near Term financial sector targets guidance enables financial institutions (FIs), such as banks and insurance companies, to set Science Based Targets and have them validated by the SBTi. This enables the alignment of investment activities to the goals of the Paris Climate Agreement. An updated version of the guidance (v2.0) was released in May 2024.

SBTi also released the net zero guidance for long-term targets for financial institutions in September 2024.

VOLUNTARY 

INTERNATIONAL 

EMISSIONS 

HIGH REPUTATION 

Who reports?

Any financial institution aiming to reduce emissions in line with a 1.5°C warming scenario.

The SBTi defines a company as a financial institution if 5% or more of its revenue or assets come from business relating to the arrangement and execution of financial and monetary transactions, including deposits, loans, investments, and currency exchange.

What is reported?

The SBTi has 3 methods that link FIs' portfolios with climate stabilisation pathways, each of which can be used for one or more asset class:

Sectoral decarbonisation approach - involves the setting of emissions-based physical intensity targets for real estate and mortgage-related investments/loans. Also applies to power generation, cement, pulp and paper, transport, iron and steel, and buildings sectors within corporate instruments.

SBTi Portfolio Coverage Approach - an engagement target to encourage a portion of investees to set SBTi-approved SBTs

The Temperature Rating Approach - to determine the current temperature rating of their portfolios and take actions to align them to long-term temperature goals via engagement with portfolio companies.

FIs are also required to set targets for their own operations in line with at least a well-below 2°C pathway.

Benefits

- Build business resilience and increase competitiveness
- Drive innovation
- Build credibility and reputation
- Influence and prepare for shifts in public policy
- Demonstrate leadership

ICMA Green Bonds Principles

The Green Bond Principles (GBP) are guidelines that enable issuers to finance sustainable projects. These guidelines promote transparency, disclosure and reporting within the green bond market.

VOLUNTARY



INTERNATIONAL



FINANCIAL RISK



Who reports?

Any issuers of green bonds. This may include banks or other corporates.

What is reported?

Under the recommendations of the principles, issuers should implement a green bond framework that aligns to four components:

Use of proceeds - Proceeds of a green bond should finance green projects. The GBP define the categories of projects that can be labelled as green.

Process for project evaluation and selection - Issuers should disclose the sustainability credentials of projects to their investors e.g. how the project is determined to be sustainable and the targets associated with the bond.

Management of proceeds - There should be full transparency from the issuers as to how proceeds are managed

Reporting - Report how proceeds are allocated to green projects. This can be within the issuers annual report

Benefits

- Outlines the key components of investors' strategies for achieving sustainability commitments.
- Ensures investments are aligned with sustainability goals.

VOLUNTARY EU ESG 

EU Green Bond Standard

The EU Green Bond Standard (EuBG), a voluntary standard, defines green economic activities, ensures transparency in line with market best practice and establishes supervision of companies carrying out pre- and post-issuance reviews at the European level.

Who reports?

The regulation can be applied voluntarily to all issuers of green bonds within the EU, who can subsequently label their bonds 'European Green Bonds'. Issuers of green bonds who are not fully aligned with the EU taxonomy may opt-in to a number of the regulation's disclosure requirements.

What is reported?

All issuers using the EUGB standard when issuing a green bond will be required to disclose how the bond's proceeds will be used, and show how such investments support the transition plans of the organisation. Therefore, as part of a new requirement, the EUGB standard requires businesses to partake in a green transition.

Benefits

The new standard provides the following benefits:

- Fosters consistency and comparability in the green bond market
- Allows issuers to demonstrate that they are funding legitimate green projects aligned with the EU taxonomy
- Improves access to certified gold standard green bonds for prospective investors.

VOLUNTARY



INTERNATIONAL



ESG



UNEP FI PRB

The UNEP FI Principles for Responsible Banking (PRB) are a unique framework for ensuring that signatory banks' strategy and practice align with the Sustainable Development Goals and the Paris Climate Agreement. The six Principles that make up the framework were created in 2019 through a partnership between founding banks and the UN. The PRB now has over 340 signatories, representing US\$98.7 trillion or 54% of global banking assets.

The United Nations Environment Programme Finance Initiative (UNEP FI) helps financial institutions to develop practical approaches to setting and implementing targets in areas including greenhouse gas emissions, financing nature, sustainable consumption and production, and financial inclusion to address inequality.

Who reports?

Signatories are asked to commit to embedding the six Principles across all building areas, at the strategic, portfolio and transactional levels.

They will then have to apply for a UNEP FI membership and then publicly announce they have joined. Signatory banks must report by latest 18 months after signing the Principles, and annually thereafter.

Benefits

Reputation and Opportunity

Use participation to seize emerging business opportunities in this sector and ensure your banks remains relevant and competitive

Guidance, Tools and Accelerators

The PRB provides leading guidance, capacity building and tools to help encourage best practice, quantify the impact of bank's activities and to drive momentum in critical areas.

Personalised Feedback and Support

All banks have access to individual feedback and support that takes a look at their implementation across their business and making recommendations for closer alignment to the Principles.

Develop industry-wide responses

Work with peers to develop approaches banks can take to industry challenges with respect to the Principles

Governance and Responsibility

The framework emphasizes governance at the board/CEO level, ensuring a high-level commitment to the goal of achieving net-zero portfolio emissions. It also highlights the responsibility for the implementation of the commitment and strategy, fostering accountability among decision-makers.

VOLUNTARY



INTERNATIONAL



ESG



The Six Principles

1. Alignment:

Banks commit to align their business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

2. Impact and target setting:

Banks commit to continuously increase their positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from their activities, products and services.

3. Clients and customers:

Banks commit to work responsibly with their clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

4. Stakeholders:

Banks commit to proactively and responsibly consult, engage, and partner with relevant stakeholders to achieve society's goals.

5. Governance and culture:

Banks commit to implementing these principles through effective governance and a culture of responsible banking.

6. Transparency and accountability:

Banks commit to periodically review their individual and collective implementation of the principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Signatories are guided through implementing their commitment by a three-step process:

1. Impact analysis. Identifying the most significant impacts of products and services on the societies, economies, and environment that the bank operates in.
2. Target setting. Setting and achieving measurable targets in a bank's areas of most significant impact.
3. Reporting. Publicly report on progress on implementing the principles, being transparent about impacts and contributions.

UNEP FI PSI

The UNEP FI PSI (Principles for Sustainable Insurance) serves as a structure for the insurance industry to address environmental, social and governance risks and opportunities. The PSI envisions a risk aware world, in which the insurance industry is trusted, playing a role to better understand, prevent and reduce ESG risks and better manage opportunities to provide quality and reliable risk protection.

The United Nations Environment Programme Finance Initiative (UNEP FI) helps financial institutions to develop practical approaches to setting and implementing targets in areas including greenhouse gas emissions, financing nature, sustainable consumption and production, and financial inclusion to address inequality.

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ESG



Who reports?

Signatories to the PSI are exclusively insurance companies/providers and can become signatories by:

Completing the PSI signatory company application form and preparing a letter signed by your organisation's CEO/CEO equivalent confirming the organisation's approval of the PSI principles and sending this to UNEP.

Additionally, organisations in the sector that are not insurance companies-e.g. insurance associations- can become supporting institutions by following the same step above.

What is reported?

Signatory companies are expected to report on their progress in implementing the UNEP FI PSI principles on an annual basis. Additionally, these disclosures must be made publicly available on the UNEP FSI website.

Companies report on their progress towards the following principles:

- 1) We will embed in our decision-making ESG issues relevant to our insurance business.
- 2) We will work together with clients and business partners to raise awareness of ESG issues, manage risk and develop solutions.
- 3) We will work together with governments, regulators and other key stakeholders to promote widespread action across society on ESG issues.
- 4) We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

Benefits

1) Access to UN events and engagement with stakeholders and governments on ESG issues and risk management

2) Access to UNEP FI research, networks and capacity building services

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INTERNATIONAL



INVESTOR-LED



Equator Principles

The Equator Principles are a set of 10 principles designed to help financial institutions in determining, assessing and managing environmental and social risks when financing projects. The principles were created to address the risks faced by large scale development projects such as oil & gas development, mining, and power generation, which may be exposed to greater environmental and social risk, particularly in countries in the Global South. The Principles are designed to be sector-agnostic and globally relevant, grounded in applicable international standards and laws where material.

There are currently 131 financial institutions that are Signatories to the Equator Principles.

Who reports?

It is open to any financial institution that meets the relevant signatory requirements (i.e. 'Active' in the financial products named below) and agrees to meet the ongoing requirements as set out in the Signatory Rules.

Equator Principles Financial Institutions (EPFIs) are required to report annually on their EP-related activities.

The Equator Principles are voluntary and apply globally for all industry sectors and to five financial products:

- 1) Project Finance Advisory Services,
- 2) Project Finance,
- 3) Project-Related Corporate Loans,
- 4) Bridge Loans, and
- 5) Project-Related Refinance, and Project-Related Acquisition Finance.

Once a financial institution has become an Equator Principles Financial Institution (EPFI) it must take appropriate steps to implement the Equator Principles.

Benefits

- EPFI financed projects should avoid negative impacts on ecosystems, workers and communities. If unavoidable, negative impacts should be reduced or compensated for appropriately.
- EPFIs should also be able to better assess, mitigate, document and monitor the environmental and social risk associated with financing projects, as well as benefiting from being part of capacity building and best practice development.

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What are the Principles?

Equator Principle Financial Institutions (EPFIs) comply with all requirements set out in the Signatory Rules, including applying the Equator Principles to any new project that meets a set of criteria. EPFIs are required to report annually on their Equator Principle-related activities.

Principle 1 (Review and Categorisation): Proposed projects are categorised based on the magnitude of potential environmental and social risks and impacts.

Principle 2 (Environmental and Social Assessment): Clients must conduct an assessment process to address the relevant environmental and social risks and scale of impacts of the proposed project.

Principle 3 (Applicable Environmental and Social Standards): The EPFI will evaluate the project's compliance with the applicable standards.

Principle 4 (Environmental and Social Management System and Equator Principles Action Plan): The EPFI will require the client to develop and/or maintain an Environmental and Social Management System (ESMS).

Principle 5 (Stakeholder Engagement): Projects must demonstrate effective stakeholder engagement with affected communities, workers and, where relevant, other stakeholders.

Principle 6 (Grievance Mechanism): Projects must establish effective grievance mechanisms which are designed for use by affected communities and workers, as appropriate, to receive and facilitate resolution of concerns and grievances about the project's environmental and social performance.

Principle 7 (Independent Review): An independent review of the assessment and stakeholder engagement processes will be carried out in order to assist the EPFI's due diligence and determination of Equator Principles compliance.

Principle 8 (Covenants): Where a client is not in compliance with its environmental and social covenants, the EPFI will work with the client to bring the project back into compliance.

Principle 9 (Independent Monitoring and Reporting): The EPFI will require independent monitoring by an independent environmental and social consultant, or else require that the client retain qualified and experienced external experts to verify its monitoring information, which will be shared with the EPFI.

Principle 10 (Reporting and Transparency): Projects must follow the Equator Principle client reporting requirements.

MANDATORY



EU



ESG



SFDR

Sustainable Finance Disclosure Regulation

The Sustainable Finance Disclosure Regulation (SFDR) mandates ESG disclosure requirements for asset managers and other participants in financial markets. Introduced by the European Commission, the SFDR, alongside the Taxonomy Regulation and the Low Carbon Benchmarks Regulation, constitutes a series of legislative measures stemming from the European Commission's Sustainable Finance Action Plan.

Who reports?

The regulation extends to all financial market participants (FMPs) and financial advisors (FAs) operating within the EU, including those with EU shareholders and those marketing themselves within the EU.

FMPs encompass various entities such as insurance companies offering insurance-based investment products, investment firms providing portfolio management services, institutions managing retirement provisions, manufacturers of pension products, alternative investment fund managers, providers of pan-European personal pension products, managers of qualifying venture capital and social entrepreneurship funds, management companies for UCITS, and credit institutions offering portfolio management services.

What is reported?

The SFDR disclosure requirements are categorized into three segments:

1. Disclosure of Adverse Impacts on Sustainability Factors from Investment Decisions

Firms obligated under SFDR must reveal the potential adverse effects that investment decisions may have on sustainability factors and detail their efforts to mitigate these impacts.

2. Integration of Sustainability (ESG) Risk into Investment Processes

Firms are required to disclose instances where environmental, social, or governance (ESG) events could negatively affect significant investments and align their remuneration policies with the management of sustainability risks.

3. Provision of Sustainability Information for Financial Products

Additional disclosures are necessary for financial products categorised as Article 8 or Article 9 products, as defined by SFDR.

Updates to the SFDR are expected in 2025, with minimum disclosures relating to sustainability risks and justifications for sustainability claims likely to be mandated.

Benefits

- Combats greenwashing and exaggeration of environmentally friendly claims.
- Prioritizes ESG risks in investment processes.
- Addresses gaps in mandatory rules for ESG disclosure.
- Instigates a behavioral shift in financial market participants.
- Safeguards investor value by promoting increased investment in ESG disclosure.
- Legitimises green credentials, enhancing transparency and trust.
- Protects revenues and asset values from potential future disruptions.
- Aligns with broader cultural shifts towards sustainability and ESG considerations.

TNFD for Financial Institutions

MANDATORY



INTERNATIONAL



ESG



The Taskforce on Nature-related Financial Disclosures (TNFD) is a global science-based initiative with the mission to develop and deliver risk management and disclosure framework for organisations to report and act on evolving nature-related issues. The Task Force for Nature-related Financial Disclosures (TNFD) has released a draft form of sector-specific guidance for financial institutions on the TNFD recommendations, the TNFD metrics architecture, and additional sources and references on nature-related issues for financial institutions.

Who reports?

The additional TNFD guidance for financial institutions applies to banks, insurance companies, asset managers and owners, and development finance institutions offering portfolio management services.

What is reported?

The Taskforce proposes an adaptation of the TNFD disclosure metrics architecture for financial institutions:

1. A metric that represents the financial exposure to a defined set of sectors considered to have material nature-related dependencies and impacts.
2. A metric that represents the financial exposure to companies with activities in sensitive locations.
3. Additional metrics aligned with nature change, as relevant to the financial institution.

The TNFD released additional guidance for financial institutions in June 2024, which includes recommended metrics for disclosure and considerations for nature-related issues across value chains.

Benefits

Disclosure can allow companies to enhance and protect their reputation, attract capital, and track and benchmark progress.

The TNFD framework helps financial institutions to identify nature-related risks and opportunities.

FCA PS21/24 - TCFD for Asset Managers

The FCA's TCFD-aligned regulations apply to asset managers, life insurers and FCA-regulated pension providers and are applicable to financial years starting on or after 1st January 2022.

MANDATORY



UK



CLIMATE RISK



FINANCIAL RISK



Who reports?

Phase 1, for periods from 1st January 2022 with disclosure by 30th June 2023, applies to firms with assets under management of £50bn or more and asset owners with £25bn or more (on a 3-year rolling average).

Phase 2, for periods from 1st January 2023 with disclosure by 30th June 2024, applies to firms with £5bn or more in assets under management or owned.

This applies only to UK-based asset managers, regardless of a client's domain.

What is reported?

Consistent with core TCFD and supplemental guidance for asset managers.

Disclosures are to be made at:

The entity level:

An entity-level TCFD report setting out how climate-related risks and opportunities are taken into account in managing or administering investments on behalf of clients and consumers
To be published in a prominent place on the firm's main website

The product- or portfolio-level:

A baseline set of disclosures in respect of their products and portfolios, including a core set of metrics. To be published in a prominent place on the firm's main website and cross-referenced in an appropriate client communication. Firms must produce on-demand product-level reports

Benefits

Increase transparency on climate-related risks and opportunities, enabling clients and consumers to make informed decisions.

Provide a competitive advantage over peers

Disclosure supports the UK's wider TCFD commitment

Aligning to the TCFD recommendations can support transition planning, portfolio footprinting, target-setting and CSA.

VOLUNTARY



INTERNATIONAL



EMISSIONS



NZIF

Net Zero Investment Framework

The Net Zero Investment Framework offers a unified set of suggested actions, metrics, and methodologies for investors to optimize their efforts towards attaining global net zero emissions by 2050 or earlier. Its main goal is to enable investors to reduce carbon footprints in investment portfolios and enhance investments in climate solutions, aligning with a future of net zero emissions at 1.5°C.

An updated version of the framework (NZIF 2.0) was published in June 2024.

Who is it for?

The Net Zero Investment Framework is the most implemented net-zero methodology for investors and across all financial institutions within the Glasgow Financial Alliance for Net Zero (GFANZ). It currently has over 400 members, which comprise a range of asset owners and managers.

How to align?

Thoroughness

Alignment must be grounded in solid evidence and data, adhering to the best available science in line with the temperature goals set by the Paris Agreement.

Feasibility

The methods and approaches should be realistic for a diverse range of investors to implement. They should also build upon existing work and be compatible with the current processes or requirements of investors.

Accessibility

Definitions, methodologies, and strategies should be clear and easily applicable, utilizing publicly available information and assessments wherever feasible.

Responsibility

Definitions, methodologies, and strategies should enable clients, beneficiaries, and other stakeholders to evaluate whether investors and assets are in alignment with the objectives of the Paris Agreement.

NZIF 2.0 updates include emphasising the need to 'finance emissions reductions' rather than 'reduce financed emissions', as well as new emissions performance criterion and guidance on certificate deposits.

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INTERNATIONAL



EMISSIONS



Benefits

- Emissions Reduction: NZIF aims to reduce emissions in the real economy, fostering collective action among investors to combat climate change.
- Transparency and Disclosure: Promotes robust disclosure practices, advocating for annual disclosure aligned with TCFD recommendations to provide stakeholders with climate-related financial risk information.
- Governance and Responsibility: Emphasises governance at the board/CEO level, ensuring commitment to achieving net-zero portfolio emissions and fostering accountability for strategy implementation.
- Integration of Climate Objectives: Encourages integrating climate objectives into mandates for asset managers, ensuring climate considerations guide decision-making throughout the investment lifecycle.
- Strategic Alignment: Outlines principles for achieving net-zero commitments, ensuring strategies represent maximum efforts to reduce emissions and align investments with sustainability goals.
- Metrics and Targets: Provides guidance on setting and reporting targets, including science-based scenarios, ensuring systematic target-setting and clear communication of methodologies used.
- Risk Mitigation: Incorporates climate metrics into Strategic Asset Allocation processes, helping investors identify and address constraints to achieving greater alignment, bolstering long-term portfolio resilience.

UN PRI

Principles for Responsible Investment

The Principles for Responsible Investment (PRI), a UN-supported network of investors, works to promote sustainable investment through the incorporation of environmental, social and governance factors into investment decision-making. Investors publicly commit to adopt and implement six principles as well as evaluate their effectiveness and possible improvements over time.

VOLUNTARY



INTERNATIONAL



ESG



INVESTOR-LED



Who reports?

Signatories of the PRI.

Organisations are able to become signatories if they fall under one of the three signatory categories:

- Asset owners
- Investment managers
- Service providers or professional services partners

What is reported?

Signatories are required to report across 12 modules with core (mandatory, public, assessed, close-ended) and plus (voluntary, public or private, not assessed, closed/open-ended) indicators. The mandatory modules for reporting depend on the type of signatory (asset owner, investment manager).

The six UN PRI principles are as follows:

- 1) We will incorporate ESG issues into investment analysis and decision-making processes
- 2) We will be active owners and incorporate ESG issues into our ownership policies and practices
- 3) We will seek appropriate disclosure on ESG issues by the entities which we invest
- 4) We will promote acceptance and implementation of the principles within the investment industry
- 5) We will work together to enhance our effectiveness in implementing the principles
- 6) We will each report on our activities and progress towards implementing the principles

Benefits

- Access to resources for reporting and assessing your organisation's ESG activities
- Invitations to relevant events and workshops
- Demonstrate leadership to key stakeholders, boosting reputation and brand image.

Green Loan Principles

The Green Loan Principles (GLPs) are a set of voluntary guidelines issued by the Loan Market Association to aid the development of a market-standard approach to green lending. They aim to increase transparency, accountability and credibility in green financing by setting out the key criteria and standards that a loan must meet to be considered 'green'.

VOLUNTARY



INTERNATIONAL



ESG



INVESTOR-LED



Who reports?

The GLPs are voluntary recommended guidelines that are to be applied by market participants on a deal-by-deal basis depending on the underlying characteristics of the transactions.

What is reported?

The GLPs require specific methodologies to be applied to a green loan.

Similarly to the Green Bond Principles, the GLPs are based around four components:

- Use of proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

Benefits

- Provides clarity on the instance at which a loan can be classified as "green".
- Promotes the financing of sustainable activities and projects.
- Improves the transparency of the use of proceeds.
- Helps companies demonstrate a focus on ESG criteria.
- Facilitates sustainable economic activity and growth.

VCA

Venture Climate Alliance

The Venture Climate Alliance (VCA) is a growing group of leading Venture Capital firms (VCs) committed to providing the guidance and resources needed to achieve a rapid, global transition to net-zero or negative GHG emissions by 2050 the earliest stages of business creation.

VOLUNTARY 

INTERNATIONAL 

CLIMATE RISK 

FINANCIAL RISK 

Who reports?

Participation in the VCA is voluntary and due to the nature of the coalition, reporting is limited to:

1. Venture Capital Firms
2. Portfolio Companies of Member VC Firms

What is reported?

Reporting under the VCA typically involves:

- Greenhouse Gas Emissions (Scope 1, 2 and 3)
- Percentage of portfolio companies that are aligned to net-zero, according to the climate practices they undertake dependent on size.
- Transition Plans - documenting the steps taken to achieve net-zero emissions by 2050
- Governance - embedding climate-related risks and opportunities into governance structures

The VCA Approach:

- **Lead** - VC guidance for mapping operational emissions (at the firm-level), reducing emissions and procuring carbon removals.
- **Recruit** - Net zero frameworks designed by VCs, for VCs that aid in setting targets on the percentage of companies venture portfolio that is "managed in alignment with net zero".
- **Assist** - Ongoing guidance aligning net zero goals with operations and growth, ensuring that the VCA approach is considered best practice.
- **Track** - A required annual disclosure ensures members are making significant progress towards their commitments.

Benefits

- Positions VCs as leaders in climate change action and strengthens trust with stakeholders and customers who prioritise ESG criteria.
- Drives engagement from VCs with their portfolio companies with clear steps on how each early-stage company should approach climate practices.
- Facilitates partnerships with institutional investors and funds prioritising ESG investment and green financing.
- Supports resilience against market volatility driven by climate change.



Conclusion:
Finding Alignment

Conclusion

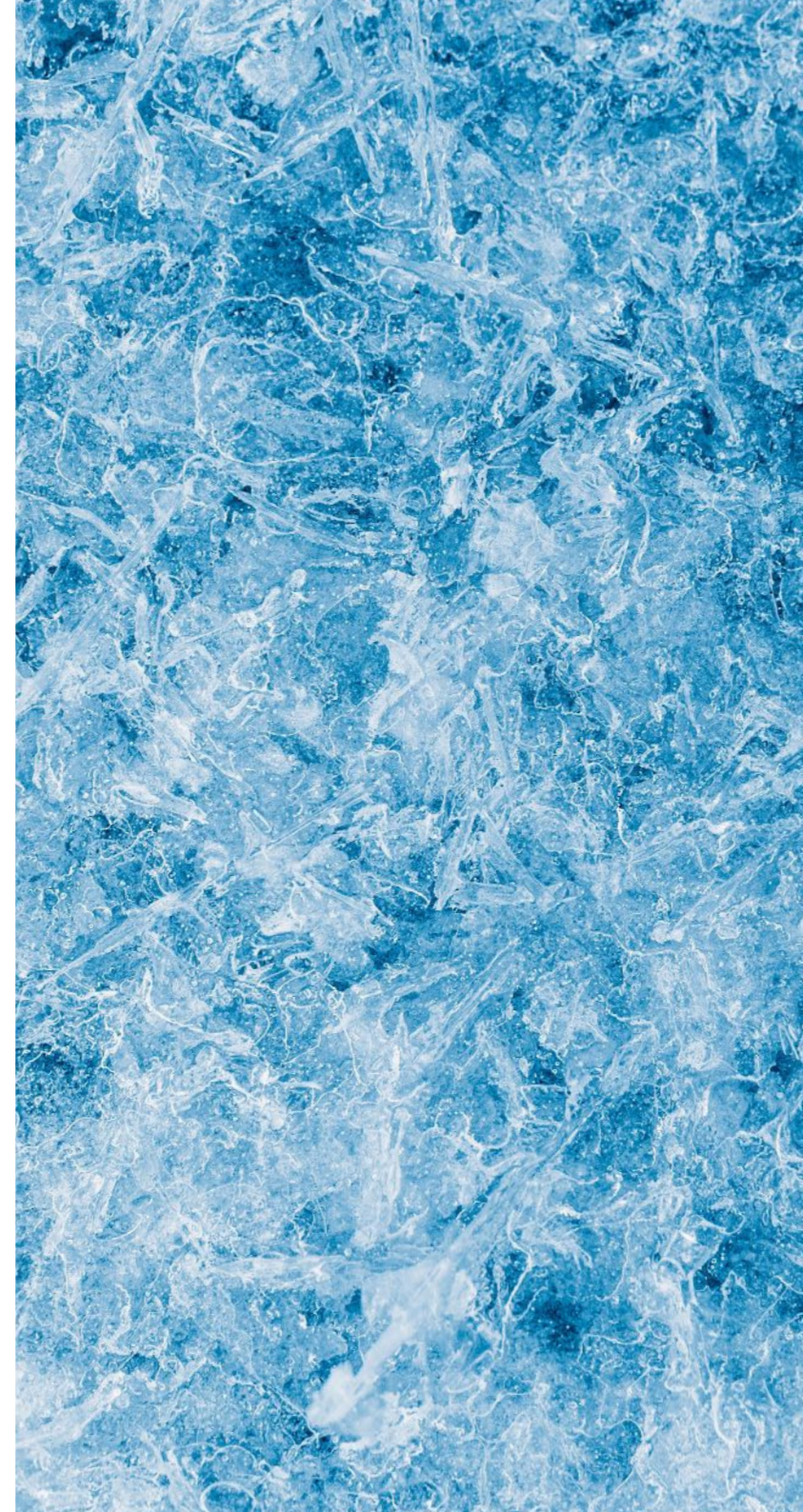
The landscape of sustainability reporting frameworks is large and complex. With the awareness of climate change and sustainability issues being ever more widespread and urgent, the necessity of both mandatory and voluntary frameworks remains, and the evolution of these frameworks will continue. Hopefully this guide, though not an exhaustive list, has provided some clarity on that.

One positive development we see, is the increasing presence of “alignment”. There is a growing trend towards standardising and aligning the information you need to disclose and an awareness of the need to minimise the reporting burden for organisations. This trend covers both the voluntary and mandatory reporting frameworks.

The recommendations of the TCFD, highlighted in this eBook have also been particularly instrumental in the development and subsequent further alignment of the frameworks which have taken seriously the recommendations for businesses to better account for climate-related financial risk.

And this brings us to another important alignment trend - that of climate-related issues with main business strategy. The latest versions of the frameworks and recommendations encourage companies to establish governance at the highest level on climate issues, and to clearly demonstrate that sustainability issues are increasingly integrated and aligned with the overall corporate strategy.

As the risk of climate change becomes increasingly urgent, and the opportunities it offers in terms of innovation and multi-stakeholder cooperation increase, robust and consistent sustainability and climate reporting will be vital to protect business, our global financial system and, of course, to strengthen the resilience of humankind and biodiversity across the globe.



EBOOK

Climate action. Commercial sense.

Together with our clients, we act to put climate and nature centre stage to drive sustainable corporate transformation within planetary boundaries.

EcoAct is an international climate consultancy and project developer partnering with businesses, organisations, institutions and regions to provide them with the most effective and comprehensive range of solutions to address the challenges of climate change efficiently. Founded in France in 2006, the company now spans three continents with offices in Europe, North America and Africa.

With a team of more than 360 international climate experts, EcoAct's core purpose is to lead the way in delivering sustainable business solutions that create true value for both the environment and client. EcoAct is a CDP Gold Partner, a founding member of ICROA, a strategic partner in the implementation of the Gold Standard for the Global Goals and reports to the UN Global Compact.

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