Excellence in ESG reporting

A review of leading UK companies

Building Public Trust
November 2022

pwc

Foreword from Alan McGill

Alan McGill

Global Sustainability Reporting and Assurance Partner, PricewaterhouseCoopers LLP

At PwC, we have been at the forefront of the move to a more sustainable and transparent world. This is our 14th year of performing this review of the FTSE 350 (and other companies), identifying and highlighting excellence over ESG Reporting. What we have seen this year is that over the past 12 months we have seen a wave of consolidation as the IFRS Foundation set up the International Sustainability Standards Board (ISSB) and the European Commission tasked the European Financial Reporting Advisory Group (EFRAG) to develop European Sustainability Reporting Standards (ESRS). Additionally, the move by governments and regulators in many countries to impose mandatory reporting requirements has also contributed to this consolidation. Today, the ISSB, the EFRAG and the US Securities and Commissions Exchange are the leading sustainability standard setters. Against this backdrop, our review of this year's reporting once again considered sustainability reporting from FTSE 350, inbound, Top Track 100 and previous FTSE 350 companies, with key findings summarised here. Some of the key themes we have seen are set out below, along with our compendium of good and best practice examples that can be found within this report.

Sustainability Benchmarking and Standards Reporting

In preparation for future standards and regulations, we have provided a section focusing on companies already taking steps to meet future sustainability disclosure and benchmarking standards. We expect this to become of increasing importance.

Diversity and Inclusion

It is usual for Gender, Ethnicity and Disability to form important areas of D&I focus. In May 2022 the Financial Conduct Authority announced requirements for listed companies to report against targets for female and ethnic minority representation on boards and in executive management. As such the importance of clear and applied Diversity, Equity and Inclusion initiatives is becoming a critical element for meaningful reporting.

Innovative Reporting

We highlight two examples of companies taking an innovative approach, one who managed to balance the reporting of their ESG information in a concise yet transparent manner, the other who published a leading Net Zero transition report. Both are examples of innovative reporting that drive transparency and trust between these companies and society.

Purpose

Purpose continues to be a driving force for many companies seeking to communicate clearly the reasons why their business exists. The number of companies reporting their corporate purpose continues to grow year-on-year, with both FTSE 100 and FTSE 250 companies achieving consistently high scores with regards to their reporting of a purpose that goes beyond financial returns for shareholders.

Strategy

Sustainability is consistently featuring as a key pillar in companies core strategies. Companies are continuing to integrate sustainability into their strategy and aligning this strategy with internationally recognised targets such as Net Zero.

Stakeholder engagement

Stakeholder engagement has been an area of strength in companies reporting again this year. Companies deliver on engaging internal and external stakeholders and taking action to respond to their concerns.

About this report

This report contains the results of our analysis, expert guidance to improve your reporting and a selection of leading examples that we at PwC have identified following our review of annual reports, sustainability reports and associated websites of the FTSE 350, selected inbounds and and top track 100 private companies. The report is structured as follows:

- An overview of good practice in sustainability reporting, with basic, intermediate and advanced tips for improving your reporting
- A quantitative analysis of the performance of the companies scored as a part of this review
- An in-depth exploration of company performance for each of the following 4 categories, organised into key questions that reporting should address:
  – How does sustainability fit with your organisation’s purpose and strategy?
  – How do you consider your priorities?
  – How do you monitor and manage performance?
  – How do you report with clarity and transparency?

This year we have also included 3 additional chapters that spotlight reporting on:

– Diversity, Equity and Inclusion;
– Sustainability Reporting and Benchmarking Frameworks; and
– Innovative Reporting.

If you would like more personalised advice on your own reporting, please get in touch with us – our contact details are on the back page. You can also find more examples of good practice by visiting our **website**

Contents

		Basic reporting tips	Intermediate reporting tips	Advanced reporting tips
How does sustainability fit with your organisation's purpose and strategy?	**Organisation overview**	Introduce the reader to your organisation by giving an overview of your size, operations and activities.	Contextualise your sustainability activities in relation to the remit and objectives of your organisation.	Explain both the direct and indirect sustainability impacts that might arise from your organisation's role or activities.
	Purpose	Define a clear purpose which should be a succinct statement.	Ensure your purpose is well-aligned to your core business activities.	Reference to your purpose should be consistent across all company communications. The purpose should form the foundation to your core business strategy and activities.
	Strategy	Demonstrate how your sustainability strategy is integrated into your core business strategy and activities and aligned with core objectives.	Clearly outline the sustainability strategy over the short, medium and long-term.	Report on structures and actions which allow your sustainability strategy to permeate throughout your organisation. Align strategy to SDGs and internationally recognised targets such as Net Zero.
How do you consider your priorities?	**Materiality**	Report which issues you have identified as material and why.	Report on the process that was undertaken to determine material issues and which key stakeholders were involved.	Focus your reporting on your material issues, linking them to your strategy and KPIs. Where relevant, align your material issues to the Sustainable Development Goals. Offer visualisation of your issues e.g. in a matrix. Further, disclosing a formalised annual review process.
	Stakeholder engagement	Identify the key internal and external stakeholders to your organisation and describe how they have been engaged.	Describe the issues identified as important by stakeholders and how these have been addressed and will be addressed going forward.	Show linkage between stakeholder consultations and your materiality, strategy and risk and opportunities planning processes. Consider alternative media for communicating messages from your sustainability report.
	Risks and opportunities	List out the risks and opportunities relating to sustainability that the organisation is managing.	Describe the action plan in place to address these risks and opportunities.	Disclose the relevance and financial implications of these risks and opportunities. As per the TCFD recommendations, identify the risks and opportunities faced by your business as a result of climate change.
How do you monitor and Manage performance?	**KPIs and targets**	Disclose sustainability KPIs most relevant to your business, including historic performance data to show trends over time.	Set specific and quantifiable short and medium-term targets for all KPIs. Description of progress towards targets and explanation of future actions regarding targets. SBTi verification of Net Zero targets.	Disclose financial implications behind KPIs. Where relevant, align your sustainability KPIs and targets to the Sustainable Development Goals. Your business participates in external benchmarking initiatives/standards. Further, going beyond Net Zero to be Climate Positive/Carbon Negative.
	Impacts	Specifically discuss qualitatively which areas of the environment and society you impact through your operations and supply chains.	Disclose quantitative indicators of the relative size of your impact on society and the environment.	In monetary terms, disclose your impact on society and the environment.
How do you report with clarity and transparency?	**Regulations and TCFD**	Disclose TCFD reporting with actions taken around each of the four pillars.	Disclose detailed TCFD disclosure produced over each of the 11 recommendations; disclose a clear conformity statement; reference future ESG standards/regulations.	Undertake climate change scenario analysis that quantifies impact including future financial implications; report against future ESG standards/regulations; link key ESG metrics and targets to remuneration/executive bonus.
	Assurance	Obtain external assurance over Scope 1 and 2.	Obtain external assurance against an audit standard, such as ISAE 3000 and/or ISAE 3410 and AA1000, over Scope 1 and 2.	Obtain external assurance against an audit standard over Scope 1, 2 and 3. Include the assurance opinion, which should clearly state the scope of the work, the standard followed and the work completed, in the report.

An overview of good practice sustainability reporting

		What	Why
How does sustainability fit with your organisation's purpose and strategy?	Organisation overview	Provide an overview of your organisation's key activities and the environment in which you operate.	This helps the reader to view your sustainability information against the wider context of your organisation's remit. The overview is also important for clarifying the scope of the data in the report, which activities are covered and which are not.
	Purpose	Communicate a clear and succinct purpose that explains your organisation's raison d'être beyond creating a financial return for shareholders.	This will demonstrate to the reader why your business exists and what you seek to achieve, creating a shared ambition that is core to your business and clear to all stakeholders.
	Strategy	Describe how your sustainability strategy is integrated into your core corporate strategy and demonstrate how it permeates throughout your business.	This will prove to the reader that sustainability is not just an 'add-on' for your organisation but is considered in every activity. Having a short, medium and long term timeframes with sustainability strategy in line with these will help you track your progress towards key sustainability goals in the future.
How do you consider your priorities?	Materiality	Demonstrate that you have an understanding of the sustainability issues that are most relevant to you and your key stakeholders.	This will prove to the reader that you are focusing on the most important sustainability issues where your efforts will have the greatest impact. Further, this will demonstrate that you are focusing on issues that are material from both a company and stakeholder perspective.
	Stakeholder engagement	Explain how you engage with all principal stakeholders and how this has impacted your sustainability strategy.	This shows the reader that you have considered a wide range of views and therefore made informed decisions about prioritising and acting on your sustainability issues.
	Risks and opportunities	Explain the key strategic risks and opportunities for your organisation that arise from sustainability issues.	This gives the reader confidence that you have considered the impacts that external sustainability factors might have on the success of your business and that you are acting on these.
How do you monitor and Manage performance?	KPIs and targets	Identify KPIs that are directly relevant to your sustainability strategy and set challenging but realistic targets that you can assess your performance against.	Clear presentation of progress towards targets will demonstrate to the reader that you are holding yourself accountable to the goals you have set for your organisation.
	Impacts	Provide a clear explanation and quantification of the social, environmental and economic impacts of your business.	This demonstrates to the reader that you have a thorough understanding of your wider impacts on society and the environment. This understanding will allow you to make more informed decisions towards being a more sustainable business.
How do you report with clarity and transparency?	Regulations and TCFD	Disclose TCFD reporting over each of the 11 recommendations and explain actions that have been taken. Further, report against other environmental regulations/standards.	Clear and concise reporting against ESG standards/regulations (including TCFD) will improve the transparency of your company and your ESG agenda.
	Assurance	Enhance the credibility of your reported content by obtaining third party assurance.	This gives the reader confidence in the data and confidence in the integrity of your sustainability reporting. It also gives management and shareholders confidence in the company's performance over reporting the period. Further, it provides confidence in the integrity of your journey towards your sustainability and other targets.

Overview of analysis

Our analysis of leading FTSE 350 + Inbound + Top Track 100 Private Companies yielded the following statistics across the range of criteria scored. The total number of companies assessed was 150.

Analysis of the movements between the top 30 companies in the prior year (BPTA ESG Award in 2021) and the top 30 companies in the current year is noted to the right.

This year we have seen that a large number of companies have significantly improved their reporting to enable them to break into the top 30 of reporters - 16 companies are new entrants to the top 30.

Of the remaining companies, 6 have continued to improve and have risen to a higher ranking than last year. There average improvement of 9% is particularly strong, given their starting position.

For 8 companies, they have not managed to maintain their position and while still within the top 30, their ranking has dropped. However their average decrease of only 4% would indicate that they are still reporting strongly, albeit that their peers have strengthened.

New Entrants in Top 30	16 companies
Companies that have improved their ranking	6 companies have improved their ranking within the Top 30
	Average increase: 9%
Companies that have fallen in ranking	8 companies have fallen in ranking within the Top 30
	Average decrease: 4%

Key Highlights:

There is increasing coalescence amongst the better scoring companies - This year we have found that it is getting more difficult to differentiate the quality of the top quartile of reporters. The percentage difference between the top scoring company and the bottom scoring company in the top quartile is 17% in the current year whereas in the prior year it was 23%.

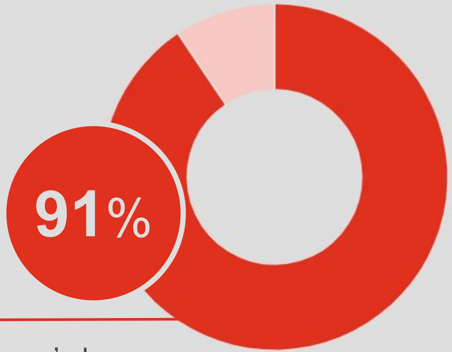
Not only do we see coalescence within the top quartile of reporters, but this is expanding through to the second quartile of reporters too - The results of this year's work show that the amount of companies whose reporting can be assessed as strong has improved substantially. Last year only 18 companies scored 70% or more. This year 48 companies scored 70% or more. In summary, those who may once have been considered 'fast followers' and increasingly joining the leadership pack.

Overview of analysis

Our analysis of leading FTSE 350 + Inbound + Top Track 100 Private Companies yielded the following statistics across the range of criteria scored. The total number of companies assessed was 150.

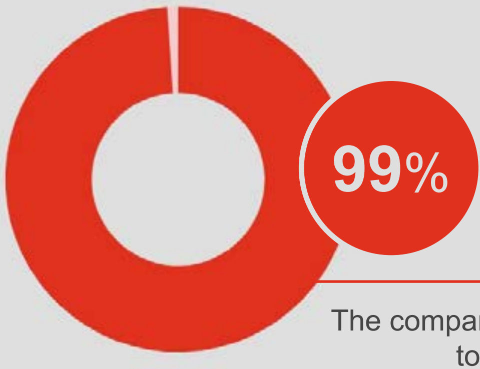
1. How does sustainability fit with your organisation's purpose and strategy?

The percentage of FTSE 100 companies we reviewed that scored full marks were:



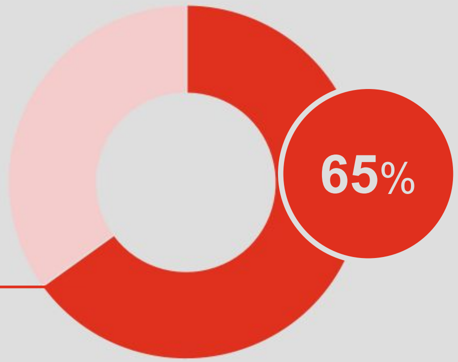
Describe the company's key business activities and how they link to sustainability

(FTSE 250: 70%)



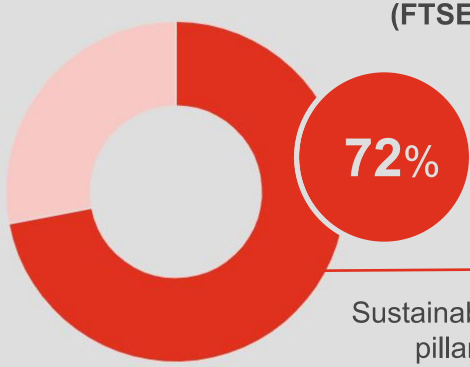
The company's purpose is well-aligned to its core business activities.

(FTSE 250: 88%)



Describe the company's purpose beyond making money for shareholders.

(FTSE 250: 64%)



Sustainability features as a key pillar of the core corporate strategy.

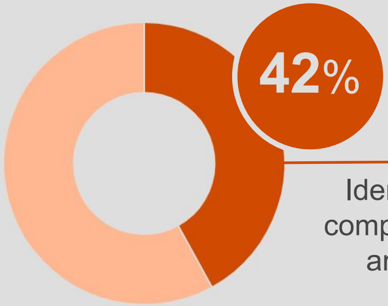
(FTSE 250: 58%)

Overview of analysis

Our analysis of leading FTSE 350 + Inbound + Top Track 100 Private Companies yielded the following statistics across the range of criteria scored. The total number of companies assessed was 150.

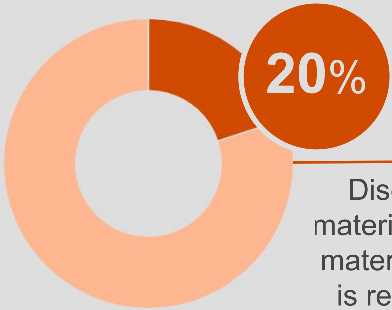
2. How do you consider your priorities?

The percentage of FTSE 100 companies we reviewed that scored full marks were:



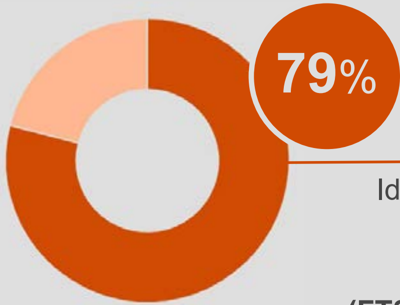
Identify what the company believes are its material issues

(FTSE 250: 34%)



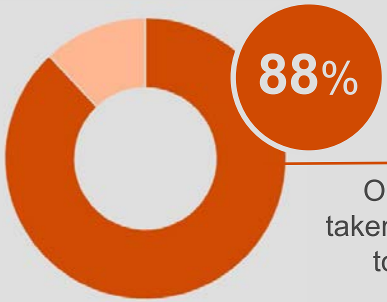
Disclose that the material issues and materiality process is reviewed on an annual basis

(FTSE 250: 16%)



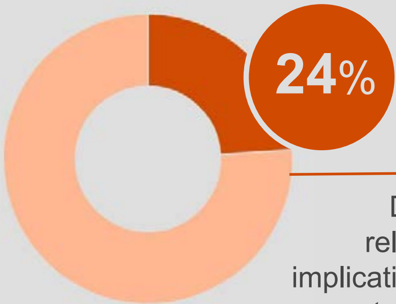
Identify internal and external stakeholders

(FTSE 250: 86%)



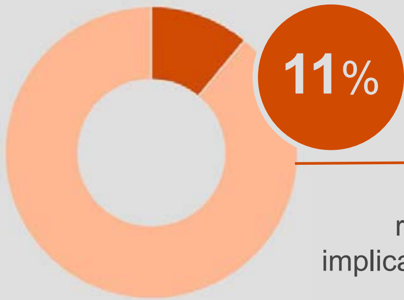
Outline actions taken in response to stakeholder concerns

(FTSE 250: 78%)



Disclose the relevance and implications of each sustainability risk

(FTSE 250: 18%)



Disclose the relevance and implications of each sustainability opportunity

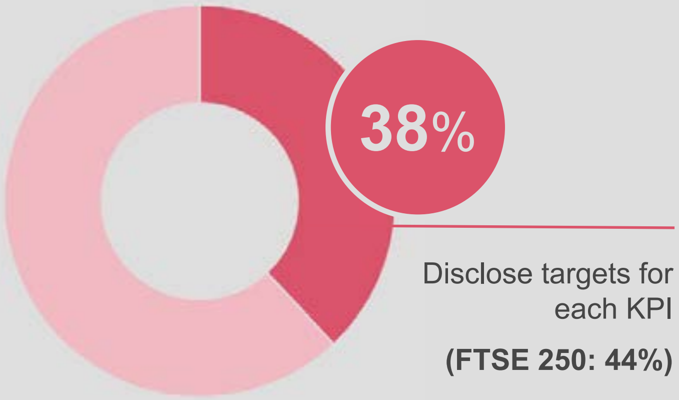
(FTSE 250: 16%)

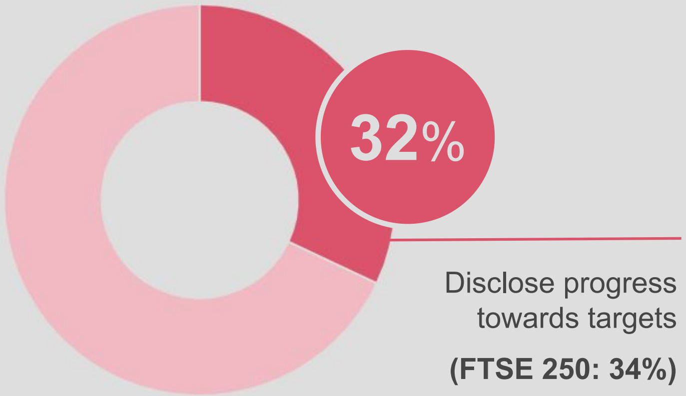
Overview of analysis

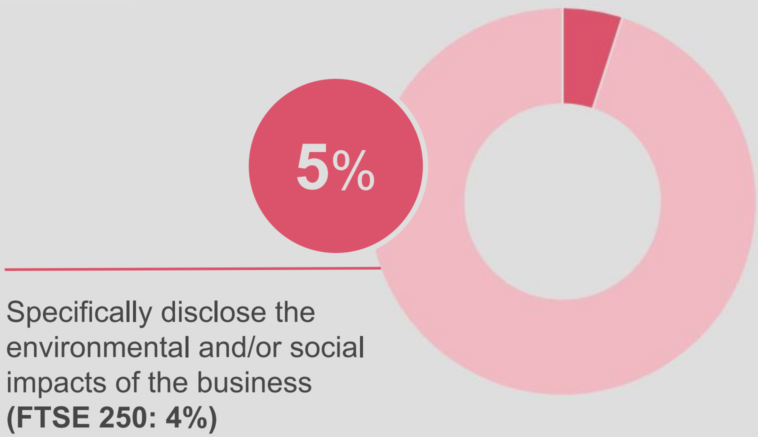
Our analysis of leading FTSE 350 + Inbound + Top Track 100 Private Companies yielded the following statistics across the range of criteria scored. The total number of companies assessed was 150.

3. How do you monitor and manage performance?

The percentage of FTSE 100 companies we reviewed that scored full marks were:





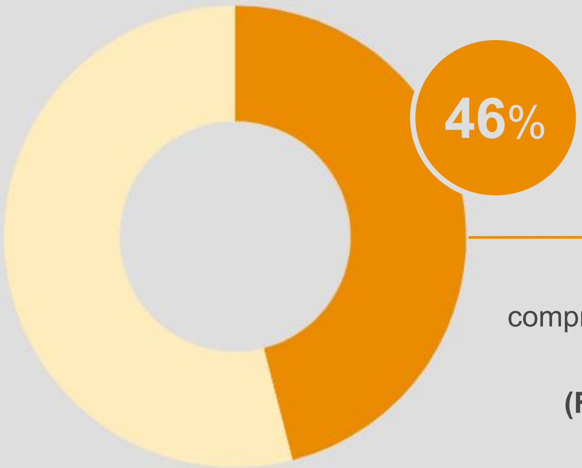


Overview of analysis

Our analysis of leading FTSE 350 + Inbound + Top Track 100 Private Companies yielded the following statistics across the range of criteria scored. The total number of companies assessed was 150.

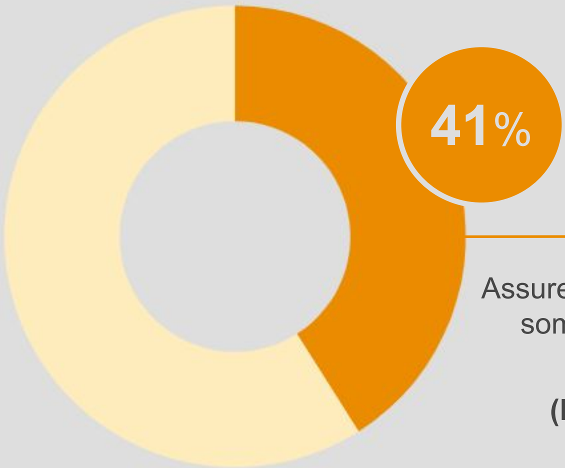
5. How do you report with clarity and transparency?

The percentage of FTSE 100 companies we reviewed that scored full marks were:



Disclose comprehensive TCFD reporting

(FTSE 250: 34%)



Assure Scope 1, 2 and some/all of Scope 3 emissions

(FTSE 250: 24%)

1

How does sustainability fit with your organisation's purpose and strategy?

Organisation Overview

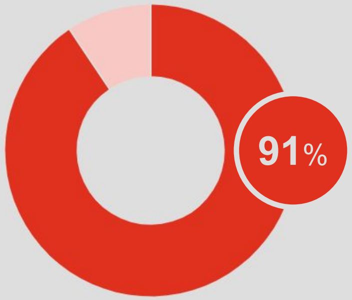
Provide an overview of your organisation's key activities and the environment in which you operate.

This helps the reader to view your sustainability information against the wider context of your organisation's remit. The overview is also important for clarifying the scope of the data in the report, which activities are covered and which are not.

Tips to make your reporting more effective:

Basic	Intermediate	Advanced
Introduce the reader to your organisation by giving an overview of your size, operations and activities.	Contextualise your sustainability activities in relation to the remit and objectives of your organisation.	Explain both the direct and indirect sustainability impacts that might arise from your organisation's role or activities.

The percentage of FTSE 100 companies we reviewed that scored full marks were:



Describe the company's key business activities and how they link to sustainability/CSR

(FTSE 250: 70%)

"Croda details their main business activities with clear consideration for Sustainability and alignment with business strategy. We like that they have included their purpose, mission, commitment, strategy, markets and values together."

Croda 2021 Annual Report, pg. 2

Purpose
At Croda our Purpose is to use Smart science to improve lives™

Mission
Our mission is to be the world's most sustainable supplier of innovative ingredients

Commitment
We are committed to being Climate, Land and People Positive by 2030
See Sustainability P30

Strategy
We combine sustainability with innovation to deliver growth
See Our strategy P20

Markets
We are focused on Consumer Care and Life Sciences markets

Values
Our shared values of 'Responsible', 'Innovative' and 'Together' ensure our smart science improves lives

Sustainability

We have made a bold Commitment to be Climate, Land and People Positive by 2030. By being the most sustainable supplier of innovative ingredients, we will provide solutions to some of the world's biggest challenges while helping our customers achieve their sustainability goals.

See Pursuing our Commitment P2

Innovation

Innovation is the lifeblood of our business and our success is dependent on our ability to deliver innovative solutions to customers. Our approach to innovation combines our own internal R&D with customer collaboration and open innovation partnerships to accelerate the development of new technologies and disruptive solutions.

See Identifying unmet needs P4

Growth

Our ambition is to deliver consistent top and bottom-line growth. Through our transition to high growth markets and by investing in sustainability and innovation we are able to leverage the 'Croda difference' to deliver attractive returns for shareholders.

See Delivering for our shareholders P6

Purpose

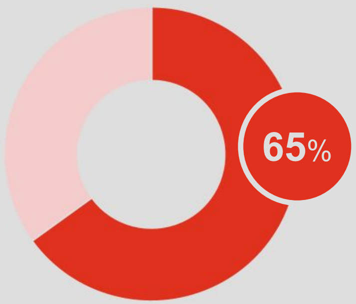
Communicate a clear and succinct purpose that explains your organisation's raison d'être beyond creating a financial return for shareholders.

This will demonstrate to the reader why your business exists and what you seek to achieve, creating a shared ambition that is core to your business and clear to all stakeholders.

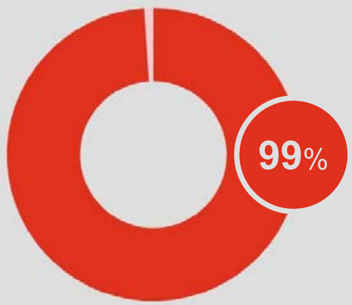
Tips to make your reporting more effective:

Basic	Intermediate	Advanced
Define a clear purpose which should be a succinct statement.	Ensure your purpose is well-aligned to your core business activities.	Reference to your purpose should be consistent across all company communications. The purpose should form the foundation to your core business strategy and activities.

The percentage of FTSE 100 companies we reviewed that scored full marks were:



Describe the company's purpose beyond making money for shareholders.
(FTSE 250: 64%)



The company's purpose is well-aligned to its core business activities.
(FTSE 250: 88%)

"Unilever and Ocado both introduce their purpose statements early on in their reporting and are guided by these principles throughout. Centering purpose to their core business strategy is a particular strength of these companies."

Unilever Annual Report 2021, pg. 8

Ocado Groups Annual Report 2021, pg. 1

Strategy

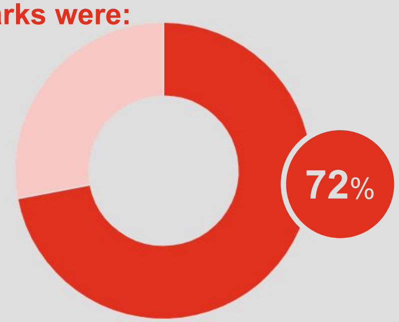
Describe how your sustainability strategy is integrated into your core corporate strategy and demonstrate how it permeates throughout your business.

This will prove to the reader that sustainability is not just an 'add-on' for your organisation but is considered in every activity. Having a short, medium and long term timeframes with sustainability strategy in line with these will help you track your progress towards key sustainability goals in the future.

Tips to make your reporting more effective:

Basic	Intermediate	Advanced
Demonstrate how your sustainability strategy is integrated into your core business strategy and activities and aligned with core objectives.	Clearly outline the sustainability strategy over the short, medium **and** long-term.	Report on structures and actions which allow your sustainability strategy to permeate throughout the organisation. Align strategy to SDGs and internationally recognised targets such as Net Zero.

The percentage of FTSE 100 companies we reviewed that scored full marks were:



Sustainability features as a key pillar of the core corporate strategy.
(FTSE 250: 58%)

> Smith & Nephew's purpose includes Investing in innovation, serving healthcare customers, and building a healthy and sustainable future, which guides the strategic objectives within their People, Planet and Products strategy. We liked that it is aligned with relevant SDG's and directed towards Net Zero (Scope 1, 2 & 3) by 2045.

Smith & Nephew plc Annual Report 2021, pg. 51

Sustainability and our business strategy

In 2021, we announced our Strategy for Growth. At the heart of this is innovation as we strive to create new technologies that improve outcomes. Delivery will be driven by our work on productivity and by commercial excellence. Optimised manufacturing and supply chain will provide a solid foundation. Our sustainability strategy supports these value drivers by helping us to reduce the resources we need, maintain a safe workplace and help us to give back to the communities where we live and operate.

Our Strategy for Growth is underpinned by our Capital Allocation Framework which prioritises the use of cash. We revised this in 2021, making our first priority to continue to invest in innovation and our sustainability agenda. You can read more about our Strategy for Growth and capital allocation on pages 7 and 17.

Our sustainability strategy includes challenging targets set over the long term in three areas:

People
Creating a lasting positive impact on our communities

Planet
A medical technology business with a positive impact

Products
Innovating sustainably

Smith+Nephew has been and remains committed to working in a sustainable, ethical and responsible manner everywhere we do business. We are proud of our achievements over many years, including our recurring inclusion in leading indices, such as FTSE4Good, ISS and the Dow Jones Sustainability Index.

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA

FTSE4Good

2

How do you consider your priorities?

Materiality

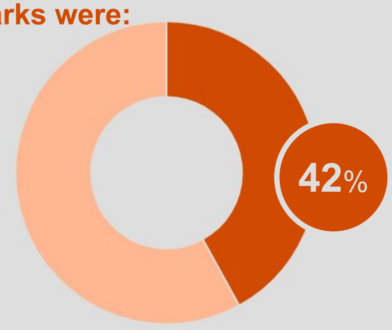
Demonstrate that you have an understanding of the sustainability issues that are most relevant to you and your key stakeholders.

This will prove to the reader that you are focusing on the most important sustainability issues where your efforts will have the greatest impact. Further, this will demonstrate that you are focusing on issues that are material from both a company and stakeholder perspective.

Tips to make your reporting more effective:

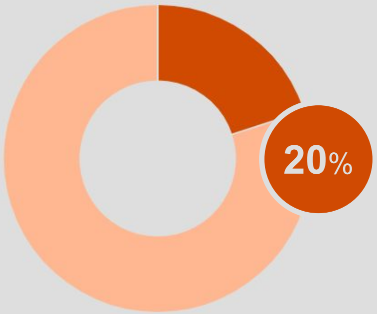
Basic	Intermediate	Advanced
Report which issues you have identified as material and why.	Report on the process that was undertaken to determine material issues and which key stakeholders were involved.	Focus reporting on your material issues, linking them to your strategy and KPIs. Where relevant, align issues to the SDGs. Offer visualisation of your issues e.g. in a matrix. Further, disclosing a formalised annual review process.

The percentage of FTSE 100 companies we reviewed that scored full marks were:



Identify what the company believes are its material issues

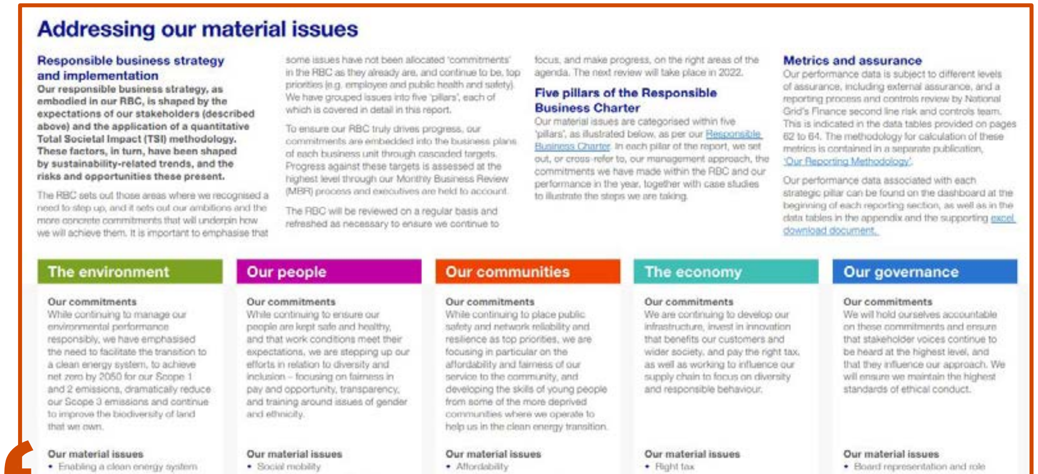
(FTSE 250: 34%)



Disclose that the material issues and materiality process is reviewed on an annual basis

(FTSE 250: 16%)

National Grid plc Responsible Business Report 2021, pg. 13 & 14



National Grid has clearly identified 38 internal and external factors considered to be material to the business, along with a comprehensive overview of the methodology used to identify such issues. Further, we liked that National Grid linked their material issues to SDGs which can be seen in the “further reading pages” noted in the attached screenshot.

Stakeholder Engagement

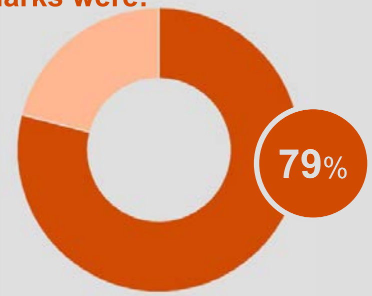
Explain how you engage with all principal stakeholders and how this has impacted your sustainability strategy.

This shows the reader that you have considered a wide range of views and therefore made informed decisions about prioritising and acting on your sustainability issues.

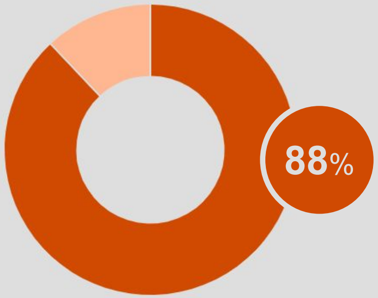
Tips to make your reporting more effective:

Basic	Intermediate	Advanced
Identify the key internal and external stakeholders to your organisation and describe how they have been engaged.	Describe the issues identified as important by stakeholders and how these have been addressed and will be addressed going forward.	Show linkage between stakeholder consultations and your materiality, strategy and risk and opportunities planning processes. Consider alternative media for sustainability comms.

The percentage of FTSE 100 companies we reviewed that scored full marks were:

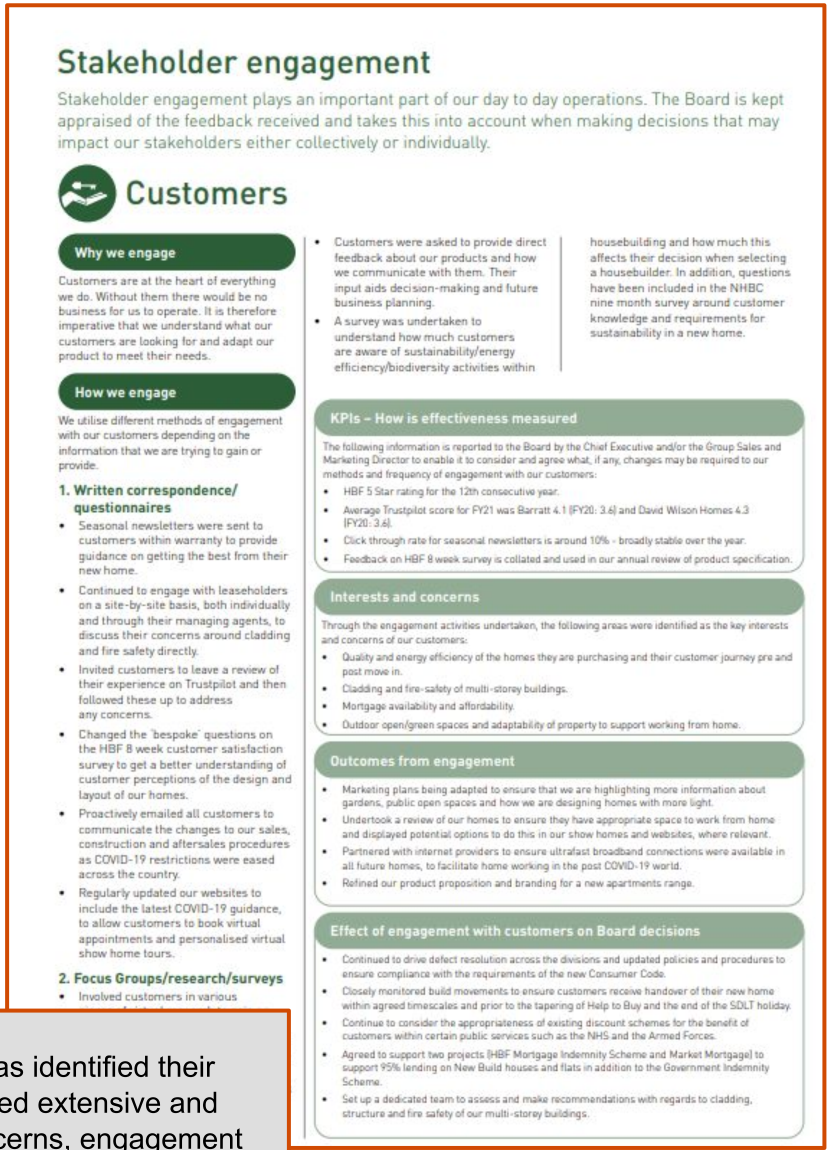


Identify internal and external stakeholders
(FTSE 250: 86%)



Outline actions taken in response to stakeholder concerns
(FTSE 250: 78%)

Barratt Developments Annual Report 2021, pg. 45 - 55



Stakeholder engagement

Stakeholder engagement plays an important part of our day to day operations. The Board is kept appraised of the feedback received and takes this into account when making decisions that may impact our stakeholders either collectively or individually.

Customers

Why we engage

Customers are at the heart of everything we do. Without them there would be no business for us to operate. It is therefore imperative that we understand what our customers are looking for and adapt our product to meet their needs.

How we engage

We utilise different methods of engagement with our customers depending on the information that we are trying to gain or provide.

1. Written correspondence/ questionnaires

- Seasonal newsletters were sent to customers within warranty to provide guidance on getting the best from their new home.
- Continued to engage with leaseholders on a site-by-site basis, both individually and through their managing agents, to discuss their concerns around cladding and fire safety directly.
- Invited customers to leave a review of their experience on Trustpilot and then followed these up to address any concerns.
- Changed the 'bespoke' questions on the HBF 8 week customer satisfaction survey to get a better understanding of customer perceptions of the design and layout of our homes.
- Proactively emailed all customers to communicate the changes to our sales, construction and aftersales procedures as COVID-19 restrictions were eased across the country.
- Regularly updated our websites to include the latest COVID-19 guidance, to allow customers to book virtual appointments and personalised virtual show home tours.

2. Focus Groups/research/surveys

- Involved customers in various

- Customers were asked to provide direct feedback about our products and how we communicate with them. Their input aids decision-making and future business planning.
- A survey was undertaken to understand how much customers are aware of sustainability/energy efficiency/biodiversity activities within housebuilding and how much this affects their decision when selecting a housebuilder. In addition, questions have been included in the NHBC nine month survey around customer knowledge and requirements for sustainability in a new home.

KPIs – How is effectiveness measured

The following information is reported to the Board by the Chief Executive and/or the Group Sales and Marketing Director to enable it to consider and agree what, if any, changes may be required to our methods and frequency of engagement with our customers:

- HBF 5 Star rating for the 12th consecutive year.
- Average Trustpilot score for FY21 was Barratt 4.1 (FY20: 3.6) and David Wilson Homes 4.3 (FY20: 3.6).
- Click through rate for seasonal newsletters is around 10% - broadly stable over the year.
- Feedback on HBF 8 week survey is collated and used in our annual review of product specification.

Interests and concerns

Through the engagement activities undertaken, the following areas were identified as the key interests and concerns of our customers:

- Quality and energy efficiency of the homes they are purchasing and their customer journey pre and post move in.
- Cladding and fire-safety of multi-storey buildings.
- Mortgage availability and affordability.
- Outdoor open/green spaces and adaptability of property to support working from home.

Outcomes from engagement

- Marketing plans being adapted to ensure that we are highlighting more information about gardens, public open spaces and how we are designing homes with more light.
- Undertook a review of our homes to ensure they have appropriate space to work from home and displayed potential options to do this in our show homes and websites, where relevant.
- Partnered with internet providers to ensure ultrafast broadband connections were available in all future homes, to facilitate home working in the post COVID-19 world.
- Refined our product proposition and branding for a new apartments range.

Effect of engagement with customers on Board decisions

- Continued to drive defect resolution across the divisions and updated policies and procedures to ensure compliance with the requirements of the new Consumer Code.
- Closely monitored build movements to ensure customers receive handover of their new home within agreed timescales and prior to the tapering of Help to Buy and the end of the SDLT holiday.
- Continue to consider the appropriateness of existing discount schemes for the benefit of customers within certain public services such as the NHS and the Armed Forces.
- Agreed to support two projects (HBF Mortgage Indemnity Scheme and Market Mortgage) to support 95% lending on New Build houses and flats in addition to the Government Indemnity Scheme.
- Set up a dedicated team to assess and make recommendations with regards to cladding, structure and fire safety of our multi-storey buildings.

> Barratt Developments has identified their stakeholders and provided extensive and logical detail on the concerns, engagement and outcomes of engagement with each group. We like that the report captures how the outcomes of engagement impacted board decisions.

Risks and Opportunities

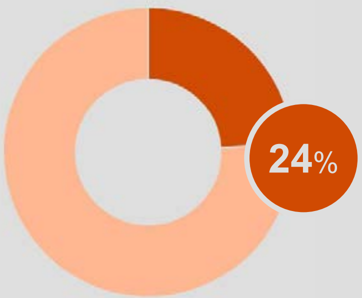
Explain the key strategic risks and opportunities for your organisation that arise from sustainability issues.

This gives the reader confidence that you have considered the impacts that external sustainability factors might have on the success of your business and that you are acting on these.

Tips to make your reporting more effective:

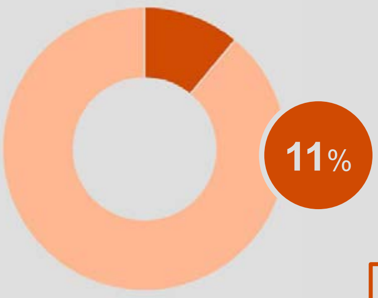
Basic	Intermediate	Advanced
List out the risks and opportunities relating to sustainability that the organisation is managing.	Describe the action plan in place to address these risks and opportunities.	Disclose the relevance and financial implications of risks and opportunities. As per the TCFD recommendations, identify the risks and opportunities facing your business due to climate change.

The percentage of FTSE 100 companies we reviewed that scored full marks were:



Disclose the relevance and implications of each sustainability risk.

(FTSE 250: 18%)



Disclose the relevance and implications of each sustainability opportunity.

(FTSE 250: 16%)

Rio Tinto Annual Report 2021, pg. 118 - 130

3. Decarbonising our business competitively

Ensuring our ability to deliver longer-term strategic objectives and our Scope 1 and 2 targets within the required timeframe, while balancing the need to invest for growth, deliver superior shareholder returns and remain competitive.

Strategic | ESG

Potential impact

- Business model and value
- Future financial and operational performance
- Group reputation
- Partner to operate
- Litigation
- Social and human rights impacts

Opportunities

Decarbonising our assets has the potential to enhance our competitive advantage as well as embed a culture of energy efficiency. It also allows us to explore economic opportunities that will benefit our host communities.

Threats

Any delay in priority initiatives threatens our Scope 1 and 2 target delivery and ability to respond proactively and competitively. The pace of electricity grid decarbonisation plays an important part in our plans for our aluminium smelters in Australia and is a key uncertainty. Successful research and development investment is a critical enabler.

Failure to follow our social and human rights standards during implementation of the decarbonisation project could adversely impact people, relationships and our capacity to meet our targets.

Management's response includes:

- We intend to invest an estimated $7.5 billion to the delivery of our targets, for example through the development of 1GW of solar and wind power in the Pilbara. We are also looking at green-energy solutions for our Boyne and Tomago smelters, and accelerating current abatement projects by introducing an internal carbon pricing of $75/t CO_2
- Investing in new technologies and research and development, such as ELYSIS™, hydrogen pilots and cross-sector partnerships to develop zero-carbon trucks with Caterpillar and Komatsu
- Integrating our commitment to implementing core business and human rights standards, including the UN Guiding Principles on Business and Human Rights (UNGPs), into our decarbonisation plans and actions

4. Developing products and technologies that enable our customers to decarbonise

Our opportunity to decarbonise our value chain (Scope 3) by partnering with suppliers and innovating with our customers.

Strategic | ESG

Potential impact

- Business model and value
- Future financial and operational performance
- Group reputation

Opportunities

Collaborating on the development of new technologies with our customers, universities and research institutes to reduce emissions from the processing of our products.

Technologies being developed to decarbonise our business may assist in reducing the emissions of our customers and consequently our Scope 3 emissions, capturing the increasing demand for responsibly produced products and taking advantage of low-carbon offerings.

Threats

If our customers do not reduce Scope 3 emissions, demand for our products may decline as alternate lower-carbon alternatives are developed and adopted.

Exposure: Iron ore sales contributed approximately 60% of revenue in 2020 and our customers' processing of that iron ore contributed 73% of our overall Scope 3 emissions of 519Mt CO_2e. Processing of bauxite and alumina contributed 22% of Scope 3 emissions.

Management's response includes:

- Establishing a dedicated steel decarbonisation team to support the transition of the steel value chain towards net zero, collaborating with steel mills, research institutes and technology providers,
- Partnering with our suppliers and developing sustainable supply chains with an aim to only purchase zero-emission haul trucks and

"Rio Tinto clearly identify the sustainability related risks and opportunities. We liked the layout of these risks and opportunities, as it clearly highlights that potential opportunities, threats and impacts have been considered for each risk. Further, we liked that there was a management response for each risk."

3

How do you monitor and manage performance?

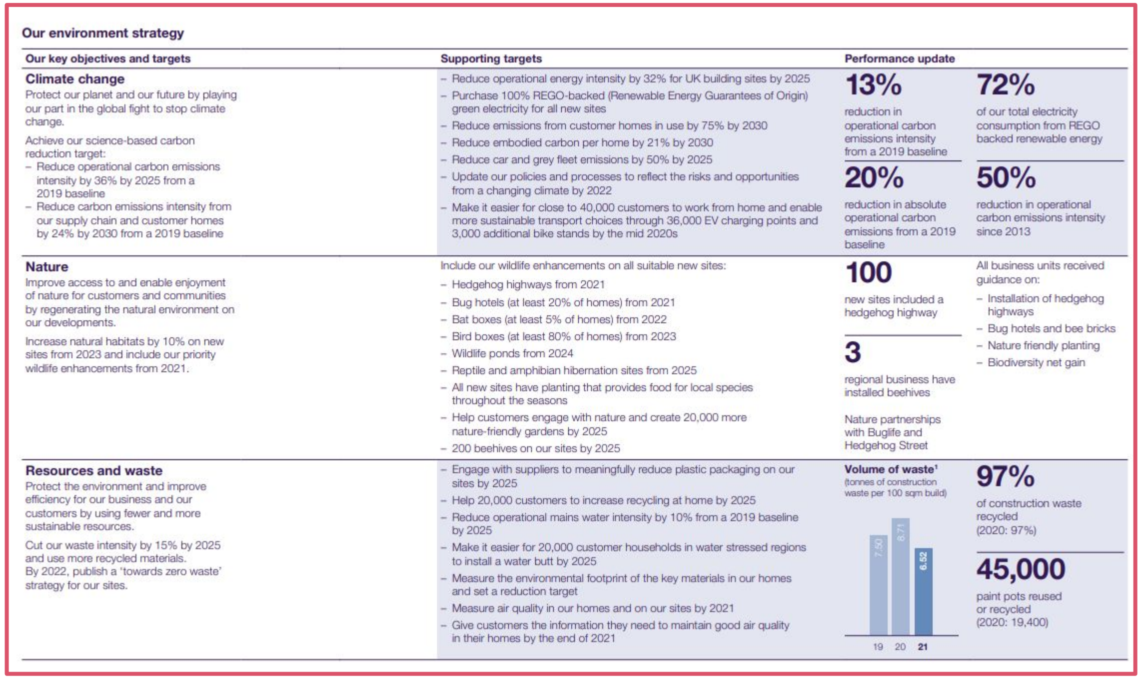
KPIs and Targets

Identify KPIs that are directly relevant to your sustainability strategy and set challenging but realistic targets that you can assess your performance against.

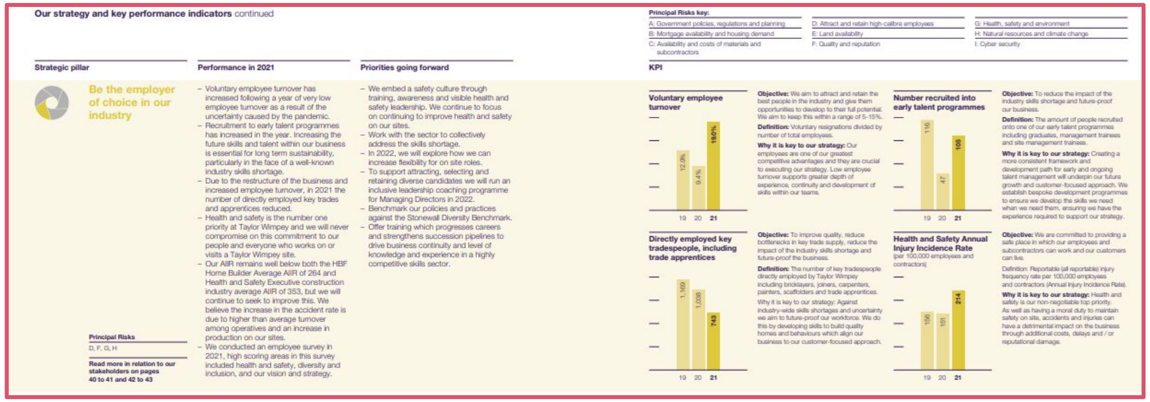
Clear presentation of progress towards targets will demonstrate to the reader that you are holding yourself accountable to the goals you have set for your organisation.

Tips to make your reporting more effective:

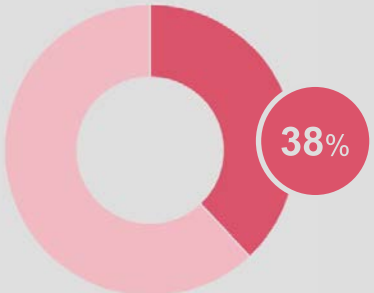
Basic	Intermediate	Advanced
Disclose sustainability KPIs most relevant to your business, including historic performance data.	Set specific and quantifiable short- and medium-term targets for all KPIs. Description of progress towards targets and explanation of future actions regarding targets. SBTi verification of Net Zero targets.	Disclose financial implications behind KPIs. Where relevant, align your sustainability KPIs and targets to the SDGs. Your business participates in external benchmarking initiatives/standards. Further, going beyond Net Zero to be Climate Positive/Carbon Negative.


Our environment strategy

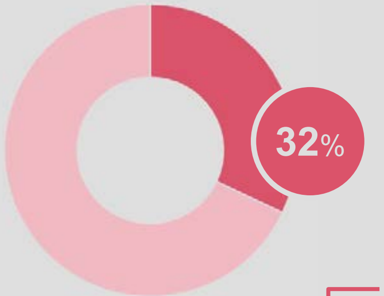
Our key objectives and targets	Supporting targets	Performance update	
Climate change Protect our planet and our future by playing our part in the global fight to stop climate change. Achieve our science-based carbon reduction target: – Reduce operational carbon emissions intensity by 36% by 2025 from a 2019 baseline – Reduce carbon emissions intensity from our supply chain and customer homes by 24% by 2030 from a 2019 baseline	– Reduce operational energy intensity by 32% for UK building sites by 2025 – Purchase 100% REGO-backed (Renewable Energy Guarantees of Origin) green electricity for all new sites – Reduce emissions from customer homes in use by 75% by 2030 – Reduce embodied carbon per home by 21% by 2030 – Reduce car and grey fleet emissions by 50% by 2025 – Update our policies and processes to reflect the risks and opportunities from a changing climate by 2022 – Make it easier for close to 40,000 customers to work from home and enable more sustainable transport choices through 36,000 EV charging points and 3,000 additional bike stands by the mid 2020s	**13%** reduction in operational carbon emissions intensity from a 2019 baseline **20%** reduction in absolute operational carbon emissions from a 2019 baseline	**72%** of our total electricity consumption from REGO backed renewable energy **50%** reduction in operational carbon emissions intensity since 2013
Nature Improve access to and enable enjoyment of nature for customers and communities by regenerating the natural environment on our developments. Increase natural habitats by 10% on new sites from 2023 and include our priority wildlife enhancements from 2021.	Include our wildlife enhancements on all suitable new sites: – Hedgehog highways from 2021 – Bug hotels (at least 20% of homes) from 2021 – Bat boxes (at least 5% of homes) from 2022 – Bird boxes (at least 80% of homes) from 2023 – Wildlife ponds from 2024 – Reptile and amphibian hibernation sites from 2025 – All new sites have planting that provides food for local species throughout the seasons – Help customers engage with nature and create 20,000 more nature-friendly gardens by 2025 – 200 beehives on our sites by 2025	**100** new sites included a hedgehog highway **3** regional business have installed beehives Nature partnerships with Buglife and Hedgehog Street	All business units received guidance on: – Installation of hedgehog highways – Bug hotels and bee bricks – Nature friendly planting – Biodiversity net gain
Resources and waste Protect the environment and improve efficiency for our business and our customers by using fewer and more sustainable resources. Cut our waste intensity by 15% by 2025 and use more recycled materials. By 2022, publish a 'towards zero waste' strategy for our sites.	– Engage with suppliers to meaningfully reduce plastic packaging on our sites by 2025 – Help 20,000 customers to increase recycling at home by 2025 – Reduce operational mains water intensity by 10% from a 2019 baseline by 2025 – Make it easier for 20,000 customer households in water stressed regions to install a water butt by 2025 – Measure the environmental footprint of the key materials in our homes and set a reduction target – Measure air quality in our homes and on our sites by 2021 – Give customers the information they need to maintain good air quality in their homes by the end of 2021	**Volume of waste**[1] (tonnes of construction waste per 100 sqm build) 19: 7.50, 20: 8.71, 21: 6.52	**97%** of construction waste recycled (2020: 97%) **45,000** paint pots reused or recycled (2020: 19,400)



The percentage of FTSE 100 companies we reviewed that scored full marks were:



Disclose targets for each KPI.
(FTSE 250: 44%)



Describe progress towards targets.
(FTSE 250: 34%)

> Taylor Wimpey has grouped performance measurements, including sustainability-related KPIs, to sit within their strategic pillars. The targets are clearly described, with progress for current and previous years clearly indicated. We liked how Taylor Wimpey integrated their strategy here and that they discussed why each KPI is key to their strategy.

Impacts

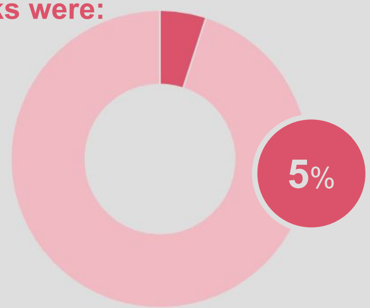
Provide a clear explanation and quantification of the social, environmental and economic impacts of your business.

This demonstrates to the reader that you have a thorough understanding of your wider impacts on society and the environment. This understanding will allow you to make more informed decisions towards being a more sustainable business.

Tips to make your reporting more effective:

Basic	Intermediate	Advanced
Specifically discuss which areas of the environment and society you impact through your operations and supply chains.	Disclose quantitative indicators of the relative size of your impact on society and the environment.	In monetary terms, disclose your impact on society and the environment.

The percentage of FTSE 100 companies we reviewed that scored full marks were:

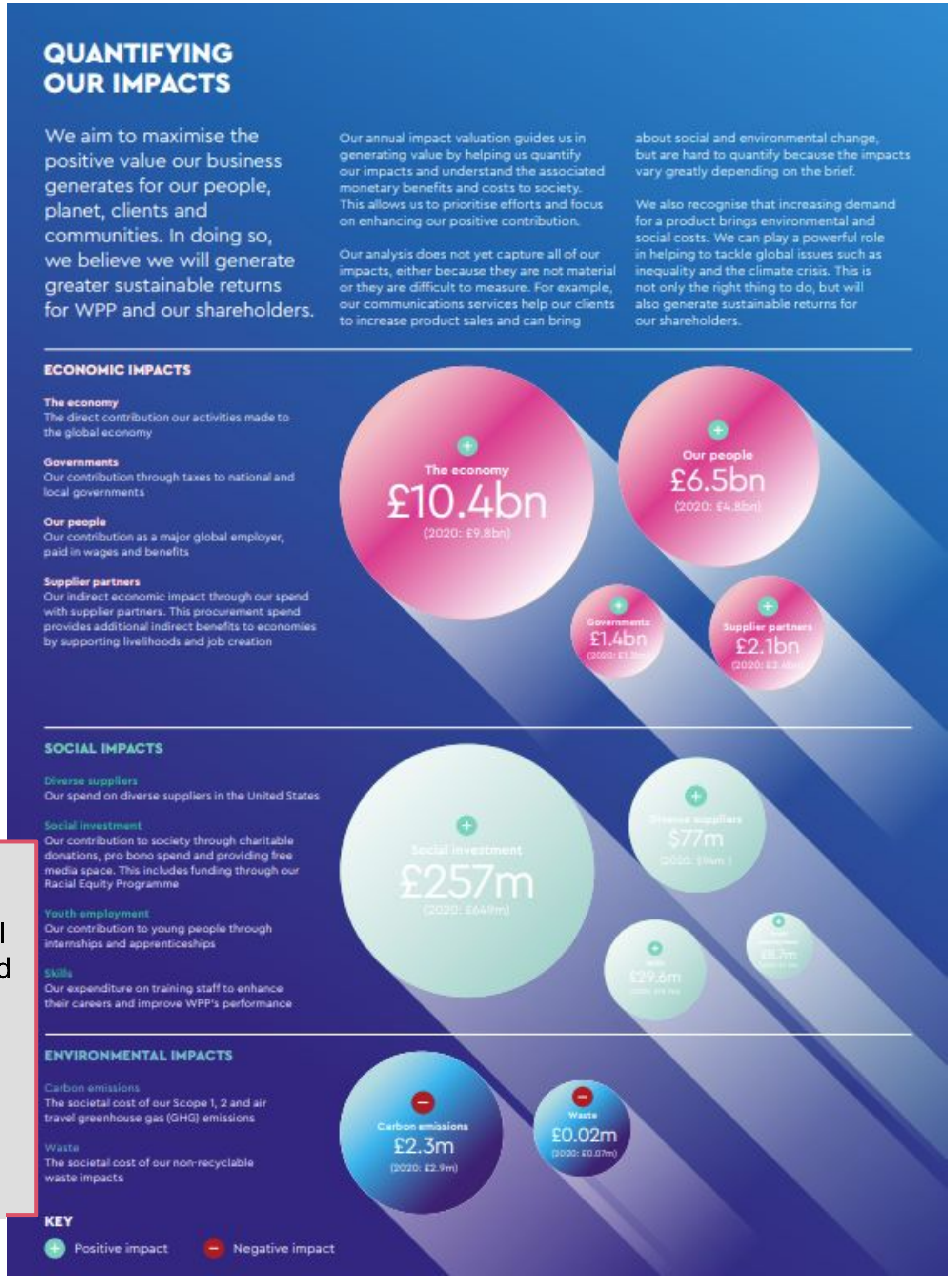


Specifically disclose the environmental and/or social impacts of the business.

(FTSE 250: 4%)

> WPP give in-depth detail of the economic, social and environmental impacts of their operations. We liked the level of detail provided for each, and that the importance of these issues to WPP is clearly communicated. Further, we liked that WPP quantified and monetised these impacts.

WPP Sustainability Report 2021, pg.14



QUANTIFYING OUR IMPACTS

We aim to maximise the positive value our business generates for our people, planet, clients and communities. In doing so, we believe we will generate greater sustainable returns for WPP and our shareholders.

Our annual impact valuation guides us in generating value by helping us quantify our impacts and understand the associated monetary benefits and costs to society. This allows us to prioritise efforts and focus on enhancing our positive contribution.

Our analysis does not yet capture all of our impacts, either because they are not material or they are difficult to measure. For example, our communications services help our clients to increase product sales and can bring about social and environmental change, but are hard to quantify because the impacts vary greatly depending on the brief.

We also recognise that increasing demand for a product brings environmental and social costs. We can play a powerful role in helping to tackle global issues such as inequality and the climate crisis. This is not only the right thing to do, but will also generate sustainable returns for our shareholders.

ECONOMIC IMPACTS

The economy
The direct contribution our activities made to the global economy

Governments
Our contribution through taxes to national and local governments

Our people
Our contribution as a major global employer, paid in wages and benefits

Supplier partners
Our indirect economic impact through our spend with supplier partners. This procurement spend provides additional indirect benefits to economies by supporting livelihoods and job creation

The economy £10.4bn (2020: £9.8bn)
Our people £6.5bn
Governments £1.4bn
Supplier partners £2.1bn

SOCIAL IMPACTS

Diverse suppliers
Our spend on diverse suppliers in the United States

Social investment
Our contribution to society through charitable donations, pro bono spend and providing free media space. This includes funding through our Racial Equity Programme

Youth employment
Our contribution to young people through internships and apprenticeships

Skills
Our expenditure on training staff to enhance their careers and improve WPP's performance

£257m
£77m

ENVIRONMENTAL IMPACTS

Carbon emissions
The societal cost of our Scope 1, 2 and air travel greenhouse gas (GHG) emissions

Waste
The societal cost of our non-recyclable waste impacts

Carbon emissions £2.3m (2020: £2.9m)
Waste £0.02m

KEY
Positive impact
Negative impact

4

How do you report with clarity and openness?

Regulations and TCFD

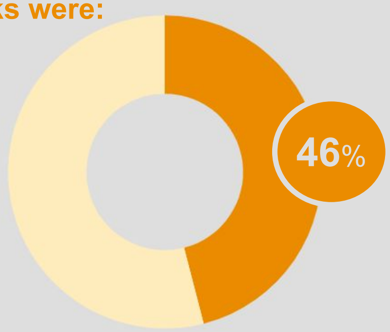
Disclose TCFD reporting over each of the 11 recommendations and explain actions that have been taken. Further, report against other environmental regulations/standards.

Clear and concise reporting against ESG standards/regulations (including TCFD) will improve the transparency of your company and your ESG agenda.

Tips to make your reporting more effective:

Basic	Intermediate	Advanced
Disclose TCFD reporting with actions taken around each of the four pillars.	Disclose detailed TCFD disclosure produced over each of the 11 recommendations; disclose a clear conformity statement; reference future ESG standards/regulations.	Undertake climate change scenario analysis that quantifies impact including future financial implications; report against future ESG standards/regulations; link key ESG metrics and targets to remuneration/executive bonus.

The percentage of FTSE 100 companies we reviewed that scored full marks were:

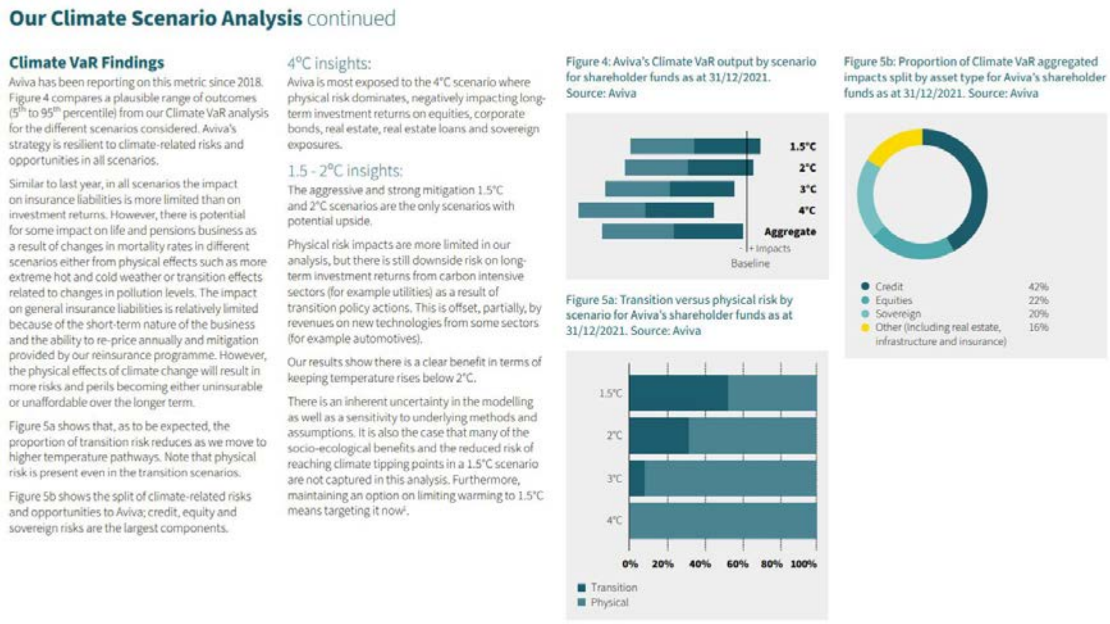


Disclose comprehensive TCFD reporting.

(FTSE 250: 34%)

> Aviva provides a comprehensive disclosure in which they detail actions around the four pillars and 11 recommendations. Further, they have detailed a conformity statement, have demonstrated how their key metrics and targets link to remuneration.

Aviva Climate-related Financial Disclosure 2021 Report, pg. 25 - 26



Our Climate Scenario Analysis continued

Climate VaR Findings

Aviva has been reporting on this metric since 2018. Figure 4 compares a plausible range of outcomes (5th to 95th percentile) from our Climate VaR analysis for the different scenarios considered. Aviva's strategy is resilient to climate-related risks and opportunities in all scenarios.

Similar to last year, in all scenarios the impact on insurance liabilities is more limited than on investment returns. However, there is potential for some impact on life and pensions business as a result of changes in mortality rates in different scenarios either from physical effects such as more extreme hot and cold weather or transition effects related to changes in pollution levels. The impact on general insurance liabilities is relatively limited because of the short-term nature of the business and the ability to re-price annually and mitigation provided by our reinsurance programme. However, the physical effects of climate change will result in more risks and perils becoming either uninsurable or unaffordable over the longer term.

Figure 5a shows that, as to be expected, the proportion of transition risk reduces as we move to higher temperature pathways. Note that physical risk is present even in the transition scenarios.

Figure 5b shows the split of climate-related risks and opportunities to Aviva; credit, equity and sovereign risks are the largest components.

4°C insights:

Aviva is most exposed to the 4°C scenario where physical risk dominates, negatively impacting long-term investment returns on equities, corporate bonds, real estate, real estate loans and sovereign exposures.

1.5 - 2°C insights:

The aggressive and strong mitigation 1.5°C and 2°C scenarios are the only scenarios with potential upside.

Physical risk impacts are more limited in our analysis, but there is still downside risk on long-term investment returns from carbon intensive sectors (for example utilities) as a result of transition policy actions. This is offset, partially, by revenues on new technologies from some sectors (for example automotives).

Our results show there is a clear benefit in terms of keeping temperature rises below 2°C.

There is an inherent uncertainty in the modelling as well as a sensitivity to underlying methods and assumptions. It is also the case that many of the socio-ecological benefits and the reduced risk of reaching climate tipping points in a 1.5°C scenario are not captured in this analysis. Furthermore, maintaining an option on limiting warming to 1.5°C means targeting it now[4].

Figure 4: Aviva's Climate VaR output by scenario for shareholder funds as at 31/12/2021. Source: Aviva

1.5°C
2°C
3°C
4°C
Aggregate
- | + Impacts
Baseline

Figure 5a: Transition versus physical risk by scenario for Aviva's shareholder funds as at 31/12/2021. Source: Aviva

1.5°C
2°C
3°C
4°C
0% 20% 40% 60% 80% 100%
Transition
Physical

Figure 5b: Proportion of Climate VaR aggregated impacts split by asset type for Aviva's shareholder funds as at 31/12/2021. Source: Aviva

Credit	42%
Equities	22%
Sovereign	20%
Other (including real estate, infrastructure and insurance)	16%

To deliver on our climate ambition, and reduce our exposure to climate-related risks, we focus on five key areas:

Credit: Richie Morgan

Accountability and Leadership

We advocate for systemic change to the international financial architecture so we can collectively deliver on the goals of the Paris Agreement.

We collaborate across our industry by driving global alliances such as Glasgow Financial Alliance for Net Zero (GFANZ), United Nations backed Net Zero Asset Owner Alliance (NZAOA), United Nations backed Net Zero Insurance Alliance (NZIA), Net Zero Asset Managers initiative (NZAM) and ClimateWise.

Decarbonising our Investment Portfolio

We have set ambitious targets to be Net Zero in our Portfolio by 2040.

We have targeted the 30 largest global polluters in our Climate Engagement Escalation Programme.

We have implemented an investment Stoplist for companies making more than 5% of revenues from thermal coal.

We have committed to increase our green portfolio by investing £6 billion in green assets by 2025.

By 2025, we will invest £2.5bn in low carbon and renewable energy infrastructure.

We have committed £10 billion of assets from our auto-enrolment default funds and other policyholder funds into lower carbon strategies.

Insuring a Net Zero Future

We have set our ambition to become a 'top 3' insurer in the London Market Renewable Energy Sector by 2022.

We have published our ESG Baseline Underwriting Statement which clearly defines the activities we exclude as an insurer including in respect of the highest emission fuels.

We have committed to making our claims management process Net Zero by 2030.

Decarbonising our Operations and Supply Chain

We have committed to being Net Zero in our operations and supply chain by 2030.

We have committed to using 100% renewable electricity for all our offices by 2025.

We have committed to moving our global fleet of 1,540 vehicles to electric/hybrid by 2025 via EV100.

Embedding Climate in our Culture

Our staff pension scheme trustees aligned the scheme to be Net Zero by 2040.

ESG considerations have been incorporated into every decision-making process at Aviva.

Our employees have volunteered and fundraised through the Aviva Foundation, Aviva Community Fund (ACF) and our partnership with the WWF.

We have released 'Against our Nature', a book giving the reader a Hitchhiker's Guide to the climate crisis.

Assurance

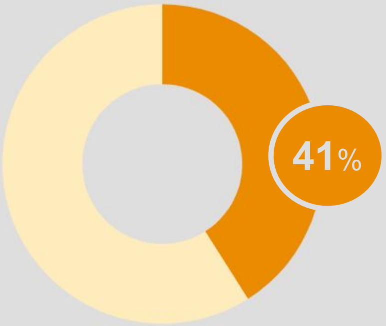
Enhance the credibility of your reported content by obtaining external third party assurance.

This gives the reader confidence in the data and confidence in the integrity of your sustainability reporting. It also gives management and shareholders confidence in the company's performance over the reporting period. Further, it provides confidence in the integrity of your journey towards your sustainability and other targets.

Tips to make your reporting more effective:

Basic	Intermediate	Advanced
Obtain external assurance over Scope 1 and 2.	Obtain external assurance against an audit standard, such as ISAE 3000 and/or ISAE 3410 and AA1000, over Scope 1 and 2.	Obtain external assurance against an audit standard over Scope 1, 2 and 3. Include the assurance opinion, which should clearly state the scope of the work, the standard followed and the work completed, in the report.

The percentage of FTSE 100 companies we reviewed that scored full marks were:

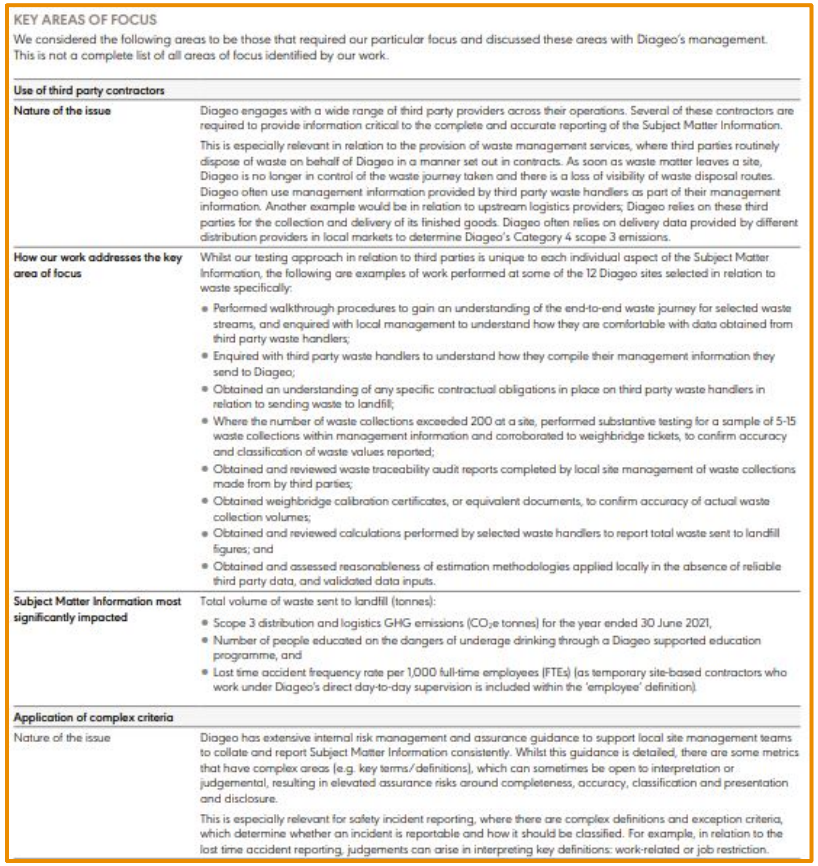


Assure Scope 1, 2 and some/all of Scope 3 emissions

(FTSE 250: 24%)

"Diageo disclosed a long-form assurance statement, verifying that their sustainability data has been externally assured by PwC to the ISAE 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' and ISAE 3410 'Assurance Engagements on greenhouse gas statements' assurance standards."

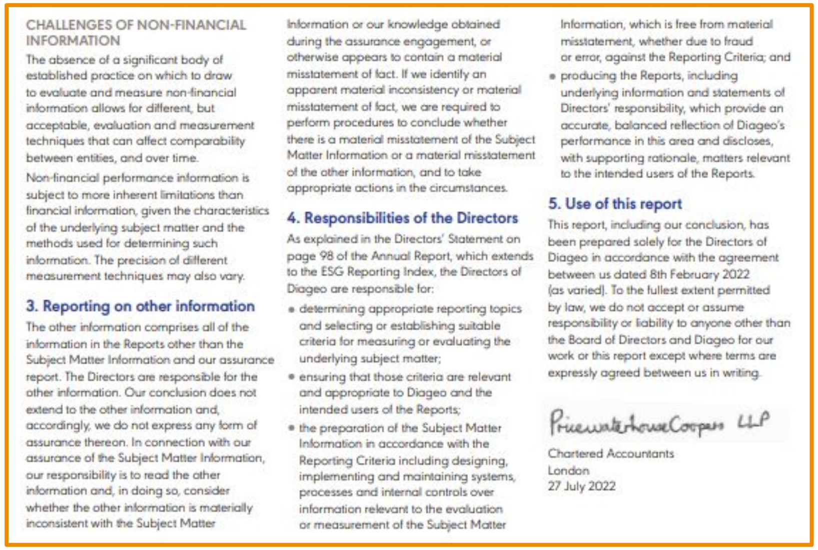
Diageo ESG Reporting Index 2022, pg. 112 - 116



KEY AREAS OF FOCUS

We considered the following areas to be those that required our particular focus and discussed these areas with Diageo's management. This is not a complete list of all areas of focus identified by our work.

Use of third party contractors	
Nature of the issue	Diageo engages with a wide range of third party providers across their operations. Several of these contractors are required to provide information critical to the complete and accurate reporting of the Subject Matter Information. This is especially relevant in relation to the provision of waste management services, where third parties routinely dispose of waste on behalf of Diageo in a manner set out in contracts. As soon as waste matter leaves a site, Diageo is no longer in control of the waste journey taken and there is a loss of visibility of waste disposal routes. Diageo often use management information provided by third party waste handlers as part of their management information. Another example would be in relation to upstream logistics providers; Diageo relies on these third parties for the collection and delivery of its finished goods. Diageo often relies on delivery data provided by different distribution providers in local markets to determine Diageo's Category 4 scope 3 emissions.
How our work addresses the key area of focus	Whilst our testing approach in relation to third parties is unique to each individual aspect of the Subject Matter Information, the following are examples of work performed at some of the 12 Diageo sites selected in relation to waste specifically: • Performed walkthrough procedures to gain an understanding of the end-to-end waste journey for selected waste streams, and enquired with local management to understand how they are comfortable with data obtained from third party waste handlers; • Enquired with third party waste handlers to understand how they compile their management information they send to Diageo; • Obtained an understanding of any specific contractual obligations in place on third party waste handlers in relation to sending waste to landfill; • Where the number of waste collections exceeded 200 at a site, performed substantive testing for a sample of 5-15 waste collections within management information and corroborated to weighbridge tickets, to confirm accuracy and classification of waste values reported; • Obtained and reviewed waste traceability audit reports completed by local site management of waste collections made from by third parties; • Obtained weighbridge calibration certificates, or equivalent documents, to confirm accuracy of actual waste collection volumes; • Obtained and reviewed calculations performed by selected waste handlers to report total waste sent to landfill figures; and • Obtained and assessed reasonableness of estimation methodologies applied locally in the absence of reliable third party data, and validated data inputs.
Subject Matter Information most significantly impacted	Total volume of waste sent to landfill (tonnes): • Scope 3 distribution and logistics GHG emissions (CO_2e tonnes) for the year ended 30 June 2021, • Number of people educated on the dangers of underage drinking through a Diageo supported education programme, and • Lost time accident frequency rate per 1,000 full-time employees (FTEs) (as temporary site-based contractors who work under Diageo's direct day-to-day supervision is included within the 'employee' definition).
Application of complex criteria	
Nature of the issue	Diageo has extensive internal risk management and assurance guidance to support local site management teams to collate and report Subject Matter Information consistently. Whilst this guidance is detailed, there are some metrics that have complex areas (e.g. key terms/definitions), which can sometimes be open to interpretation or judgemental, resulting in elevated assurance risks around completeness, accuracy, classification and presentation and disclosure. This is especially relevant for safety incident reporting, where there are complex definitions and exception criteria, which determine whether an incident is reportable and how it should be classified. For example, in relation to the lost time accident reporting, judgements can arise in interpreting key definitions: work-related or job restriction.



CHALLENGES OF NON-FINANCIAL INFORMATION

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, evaluation and measurement techniques that can affect comparability between entities, and over time.

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the underlying subject matter and the methods used for determining such information. The precision of different measurement techniques may also vary.

3. Reporting on other information

The other information comprises all of the information in the Reports other than the Subject Matter Information and our assurance report. The Directors are responsible for the other information. Our conclusion does not extend to the other information and, accordingly, we do not express any form of assurance thereon. In connection with our assurance of the Subject Matter Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Subject Matter Information or our knowledge obtained during the assurance engagement, or otherwise appears to contain a material misstatement of fact. If we identify an apparent material inconsistency or material misstatement of fact, we are required to perform procedures to conclude whether there is a material misstatement of the Subject Matter Information or a material misstatement of the other information, and to take appropriate actions in the circumstances.

4. Responsibilities of the Directors

As explained in the Directors' Statement on page 98 of the Annual Report, which extends to the ESG Reporting Index, the Directors of Diageo are responsible for:

- determining appropriate reporting topics and selecting or establishing suitable criteria for measuring or evaluating the underlying subject matter;
- ensuring that those criteria are relevant and appropriate to Diageo and the intended users of the Reports;
- the preparation of the Subject Matter Information in accordance with the Reporting Criteria including designing, implementing and maintaining systems, processes and internal controls over information relevant to the evaluation or measurement of the Subject Matter Information, which is free from material misstatement, whether due to fraud or error, against the Reporting Criteria; and
- producing the Reports, including underlying information and statements of Directors' responsibility, which provide an accurate, balanced reflection of Diageo's performance in this area and discloses, with supporting rationale, matters relevant to the intended users of the Reports.

5. Use of this report

This report, including our conclusion, has been prepared solely for the Directors of Diageo in accordance with the agreement between us dated 8th February 2022 (as varied). To the fullest extent permitted by law, we do not accept or assume responsibility or liability to anyone other than the Board of Directors and Diageo for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP

Chartered Accountants

London

27 July 2022

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Spotlight

Diversity, Equity & Inclusion

Diversity, Equity & Inclusion

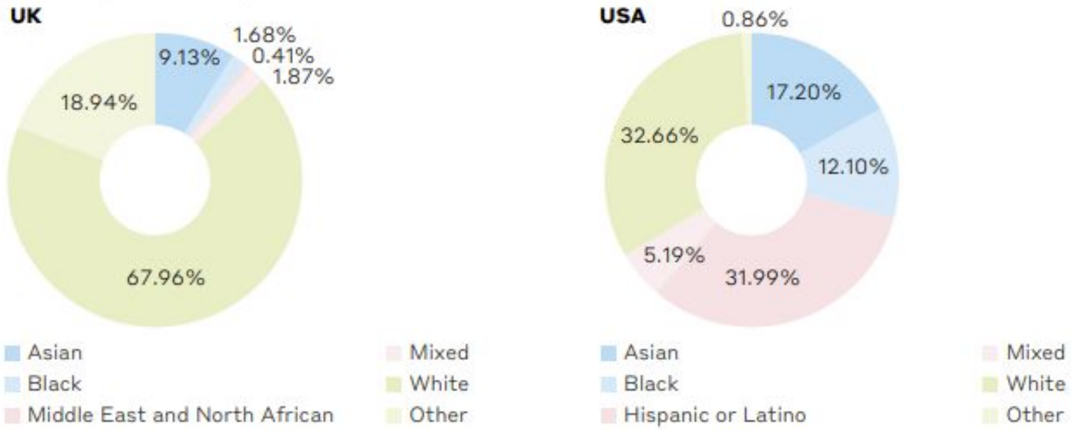
2022 has continue to see diversity and inclusion matters (D&I) propelled into sharp focus for companies.

Diversity focuses on the diverse range of people within a company, reflective of the society in which it exists and operates. Inclusion focuses on enabling and encouraging a diverse workforce to work together effectively.

It is usual for Gender, Ethnicity and Disability to form important areas of D&I focus. However, in May 2022 the Financial Conduct Authority announced requirements for listed companies to report against targets for female and ethnic minority representation on boards and in executive management. As such the importance of clear and applied Diversity, Equity and Inclusion initiatives is significant and should be considered for meaningful reporting.

We have included a selection of companies in this section that have demonstrated enhanced transparency and consideration for the topic in our review of December 2021 and March 2022 year ends.

DIVERSITY AT BURBERRY*



* These values are based on voluntary colleague disclosure in line with local regulations.

Burberry Annual Report 2021, pg. 86 - 91

OUR FOUR STRATEGIC PILLARS

To help achieve our diversity and inclusion goals, our dedicated global Diversity and Inclusion team works with colleagues across the business, including our senior leadership teams, the broader Human Resources team and our advisory networks, with a focus on four strategic pillars:

- Attracting and retaining diverse top talent
- Fostering an open and inclusive culture
- Educating and raising awareness
- Implementing a global approach

Partnerships

To support our diversity and inclusion journey, we forge strategic partnerships with key organisations, charities and communities around the world. As well as demonstrating our commitment to inclusion, these partnerships help us to build a diverse talent pipeline, support talent development and provide a range of educational opportunities across our organisation.

Some examples include:

- Collaborating with the Business Disability Forum and The Valuable 500 to further our commitment to disability inclusion globally
- Hosting workshops and in conversations with partners such as Stonewall, Global Butterflies and Investing in Ethnicity
- In FY 2021/22, Burberry was a headline sponsor of the inaugural British Diversity Awards, bringing together communities to celebrate individuals, organisations and initiatives contributing to positive change

“Burberry provides a clear outline of its four strategic pillars that are dedicated to its D&I goals. It references a number of DEI initiatives that underpin these pillars. DEI is positioned as a key focus for the company within its ARA.”

bp group board composition[b]

	2020	2021
Female	5 (42%)	**4 (40%)**
Male	7 (58%)	**6 (60%)**

	2020	2021
White	11 (92%)	**9 (90%)**
Black		**0**
Asian	1 (8%)	**1 (10%)**
Mixed or multiple ethnic groups	0	**0**

	2020	2021
UK	4 (33%)	**2 (20%)**
US	4 (33%)	**4 (40%)**
Non-US/UK	4 (33%)	**4 (40%)**

Leadership team composition[b]

	2020	2021
Female	4 (33%)	**6 (55%)**
Male	8 (67%)	**5 (45%)**

	2020	2021
White	8 (89%)	**8 (89%)**
Black		**0**
Asian	1 (11%)	**1 (11%)**
Mixed or multiple ethnic groups	0	**0**

	2020	2021
UK	5 (45%)	**4 (40%)**
US	3 (27%)	**2 (20%)**
Non-US/UK	3 (27%)	**4 (40%)**

Top 120[bc]

	2020	2021
Female	39%	**53 (42%)**
Male	61%	**73 (58%)**

	2020	2021
White	76%	**78 (78%)**
Black	5%	**6 (6%)**
Asian	11%	**10 (10%)**
Mixed or multiple ethnic groups	5%	**3 (3%)**
Other	3%	**3 (3%)**

	2020	2021
UK	53%	**59 (50%)**
US	26%	**26 (22%)**
Non-US/UK	21%	**32 (27%)**

Unlocking the power of a diverse supply chain

To deliver our net zero ambition, we know digital innovation is a key component of our strategy. As a result, in 2021, our innovation & engineering business together with the DE&I team and finance procurement produced a digital capability matchmaking programme to increase diversity within its digital supplier base. The programme matched bp decision-makers with digital, diverse-owned suppliers through assessments of nearly 200 diverse suppliers across four diversity strands – gender, minority, LGBTQ+, and veterans.

The team looked for suppliers to deliver products or services to increase cost optimization, efficiency, automation and provide innovative solutions for bp. As a result, 12 diverse companies will be further evaluated and added to preferred supplier lists for digital capability and onboarded through our procurement systems.

Generational data

Generation groups at bp[c]

The majority of our employees are born between 1965 and 1995, with a smaller percentage of people born prior to 1965. In 2020, as part of reinvent bp, we offered an expression of interest (EOI) programme where employees in UK, US and several other countries could voluntarily request to leave bp with severance. This programme was available to employees regardless of age. For individuals born between 1946 and 1964, EOI exits were 34.3% of the total exits for this population; a factor that impacted representation for this population as of December 2021.

Core employees % born between 1946 and 1964

2019	14
2020	10
2021	**7**

Core employees % born between 1965 and 1976

2019	34
2020	33
2021	**32**

Core employees % born between 1977 and 1995

2019	50
2020	54
2021	**57**

Core employees % born from 1996 onwards

2019	2
2020	3
2021	**4**

c Data for 2019, 2020 and 2021 is as at 31 December.
d Generation data provided for core employees only. For more information about our data see About this report on page 23.

> "BP has provided a separate DEI report which is comprehensive and details BP's board composition as well as generational, gender and ethnicity data. We liked that BP also paid focus to diversity in the supply chain, reporting their DEI initiative that will assist in meeting this target."

UK ethnicity[a]

All core employees[b] %

	2019	2020	2021
White	74	72	**70**
Black, African, Caribbean, Black British	2	2	**3**
Asian, Asian British	9	10	**11**
Mixed or multiple ethnic groups	1	2	**1**
Other ethnic group	2	2	**2**
Undisclosed	11	12	**13**

Group leaders (GL) %

	2019	2020	2021
White	74	69	**65**
Black, African, Caribbean, Black British	1	1	**3**
Asian, Asian British	4	5	**6**
Mixed or multiple ethnic groups	0	0	**1**
Other ethnic group	2	3	**4**
Undisclosed	19	22	**21**

Senior level leaders (SLL) %

	2019	2020	2021
White	78	76	**76**
Black, African, Caribbean, Black British	1	1	**2**
Asian, Asian British	6	8	**8**
Mixed or multiple ethnic groups	1	1	**1**
Other ethnic group	2	2	**2**
Undisclosed	12	12	**11**

First level leaders (FLL) and below %

	2019	2020	2021
White	73	71	**69**
Black, African, Caribbean, Black British	3	3	**3**
Asian, Asian British	10	11	**12**
Mixed or multiple ethnic groups	2	2	**2**
Other ethnic group	2	2	**2**
Undisclosed	11	12	**13**

a Because of rounding totals may not equal 100.
b Ethnicity data provided for core employees only. For more information about our data see About this report on page 23.

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Spotlight

Sustainability Benchmarking and Standards Reporting

Sustainability Benchmarking and Standards Reporting

Companies use a range of sustainability disclosure and benchmarking standards to meet investor and other capital market participants information needs.

Following, COP26 there has been a greater emphasis on companies being prepared for future regulations. The Climate Delegated Act with EU and UK Taxonomy along with Global Reporting Index (GRI), United Nations Global Compact and International Sustainability Standards Board (ISSB) are providing a comprehensive global baseline of high-quality sustainability disclosure standards.

The companies featured in this section are some of those that have effectively aligned their reporting to existing standards.

> “Diageo has provided a separate report which details its response to GRI, UNGC and SASB standards. The report is comprehensive and referenced in the ARA. We liked that Diageo linked their strategic focus area to the GRI standards and provided a key to indicate the level of disclosure against each reporting principle.”

Diageo ESG Reporting Index 2022

GRI Index
Universal standards
1: Foundation
2: General disclosures
3: Material topics
Topic-specific standards
200: Economic
300: Environmental
400: Social
United Nations Global Compact (UNGC) Index
Our response to the Sustainability Accounting Standards Board (SASB)

GRI Standards				**Our strategic focus area**
Universal standards	1	Foundation – reporting principles	• Approach to reporting	• Doing business the right way from grain to glass
	2	General disclosures	• Organisational profile • Strategy • Ethics and integrity • Governance • Stakeholder engagement • Reporting practice	• Doing business the right way from grain to glass
	3	Material topics	• Material topics and their boundaries • Management approaches • Evaluation of management approaches	• Doing business the right way from grain to glass
Topic-specific standards	200	Economic		• Champion inclusion and diversity • Pioneer grain-to-glass sustainability
	300	Environmental		• Pioneer grain-to-glass sustainability
	400	Social		• Promote positive drinking • Champion inclusion and diversity • Pioneer grain-to-glass sustainability

How we have met each disclosure	Fully disclosed as outlined by the GRI Sustainability Reporting Standards	Partially disclosed and missing at least one required indicator	Not disclosed	Not considered material to our business at this time

CRH Annual Report 2021, pg. 243

EU Taxonomy

Compliance Statement

The EU Taxonomy regulation (Regulation (EU) 2020/852) is part of the EU's overall efforts to implement the European Green Deal. It is intended to serve as a standardised and mandatory classification system to determine which economic activities are considered as 'environmentally sustainable' by the EU.

In June 2021, the European Commission formally adopted the Climate Delegated Act with its Annexes, establishing the Technical Screening Criteria that define which activities substantially contribute to the first two, out of six, environmental objectives of the EU Taxonomy regulation, namely climate change mitigation (Annex I), and climate change adaptation (Annex II).

The Technical Screening Criteria for the remaining four environmental objectives are expected to be published in 2022.

An economic activity which is described in Annex I or Annex II of the Climate Delegated Act is Taxonomy-eligible, irrespective of whether it meets the respective Technical Screening Criteria or not.

For the year ended 31 December 2021, the share of Taxonomy-eligible and Taxonomy non-eligible economic activities in turnover, capital expenditure (CapEx) and operating expenditure (OpEx) are required to be disclosed in line with the published EU Taxonomy regulation.

CRH's assessment of Taxonomy-eligible economic activities

Based on the descriptions of economic activities included in Annex I and Annex II of the Climate Delegated Act, we assessed our activities and identified those which are Taxonomy-eligible.

The Climate Delegated Act prioritised specific sectors responsible for 94% of direct greenhouse gas emissions in the EU. A high proportion of CRH's activities do not fall into these prioritised sectors and are not in scope of the EU Taxonomy regulation.

While the Climate Delegated Act does not cover a high proportion of our economic activities, we have identified the economic activity "3.7 Manufacture of cement" as a Taxonomy-eligible economic activity. Our turnover, CapEx and OpEx exclusively refer to turnover, assets or processes associated with this economic activity.

Taxonomy-eligible Turnover

The share of Taxonomy-eligible turnover is calculated by the proportion of turnover derived from economic activities that are Taxonomy-eligible (numerator) over total turnover (denominator).

Share of Taxonomy-eligible and Taxonomy non-eligible economic activities

	Total $bn	Share of Taxonomy-eligible economic activities	Share of Taxonomy non-eligible economic activities
Turnover	31.0	14%	86%
Capital Expenditure (CapEx)	2.5	14%	86%
Operating Expenditure (OpEx)	1.5	23%	77%

The total turnover represents the consolidated revenue, and amounts to $31.0 billion for the financial year ended 31 December 2021 (as disclosed in our Consolidated Income Statement on page 140). The accounting policy applicable for revenue recognition is addressed in detail on page 148 of the Consolidated Financial Statements.

CRH's share of turnover associated with Taxonomy-eligible economic activities for the year ended 31 December 2021 was 14%.

Taxonomy-eligible Capital Expenditure

The share of Taxonomy-eligible CapEx is calculated by the proportion of CapEx associated with economic activities that are Taxonomy-eligible (numerator) over total CapEx (denominator).

Total CapEx includes additions to tangible and intangible assets, considered before depreciation, amortisation and any re-measurements, and excluding fair value changes. It also includes additions as a result of business combinations. Total CapEx involves all additions to Property, Plant and Equipment, Right-of-Use Assets and Intangible Assets. Any acquired goodwill is not considered for this purpose.

For the reconciliation of total CapEx please see note 13, note 14 and note 20 to the Consolidated Financial Statements.

CRH's share of CapEx associated with Taxonomy-eligible economic activities for the year ended 31 December 2021 was 14%.

CRH continuously invests in technology and efficiency projects across our operating companies to enhance environmental performance, as well as investing in the environmental element of major capital investment projects to ensure we reach our CO_2 reduction targets.

Taxonomy-eligible Operating Expenditure

The share of Taxonomy-eligible OpEx is calculated by the proportion of OpEx associated with economic activities that are Taxonomy-eligible (numerator) over total OpEx (denominator).

EU Taxonomy regulations define total OpEx as the direct non-capitalised costs of research and development (R&D), building renovation measures, short-term leases, maintenance and repair and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment.

As the EU Taxonomy regulation has its own definition of OpEx, the reported OpEx only represents a proportion of the total Group cost of sales and operating costs, and mainly includes R&D costs, repairs and maintenance and short-term leases.

CRH's share of OpEx associated with Taxonomy-eligible economic activities for the year ended 31 December 2021 was 23%.

Future Regulatory Developments

From the year ending 31 December 2022 onwards, Taxonomy-alignment will also become part of EU Taxonomy reporting. An economic activity is Taxonomy-aligned if it fulfils all the following requirements:

- Contributes substantially to at least one environmental objective by meeting the defined Technical Screening Criteria;
- Doing no significant harm to any of the other environmental objectives; and
- Is carried out in compliance with 'Minimum Social Safeguards'

In accordance with the published Delegated Acts, CRH will carry out an assessment of Taxonomy-alignment and report on Taxonomy-alignment in the next financial year.

Furthermore, EU taxonomy reporting is expected be expanded to include the four further environmental objectives, namely:

- Sustainable use and protection of water and marine resources;
- Transition to a circular economy;
- Pollution prevention and control; and
- Protection and restoration of biodiversity and ecosystems

Valuing transparency

We are committed to reporting on the breadth of our performance in key sustainability areas. This includes information on environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters.

We comply with the EU Non-Financial Reporting Directive and the EU Taxonomy Regulation and we make disclosures consistent with TCFD. Our Sustainability Report is prepared in line with the Global Reporting Initiative (GRI) standards and the Sustainability Accounting Standards Board (SASB). Our independently-assured 2021 Sustainability Report will be published in March 2022 on www.crh.com.

Additionally, our 'Commitment to human rights' Modern Slavery Statement is published annually and discloses our risks, progress and targets related to preventing modern slavery within our operations.

“CRH Plc discloses a full EU Taxonomy analysis, along with detailing that the report aligns with GRI and SASB standards. We liked that the disclosure is detailed and comprehensive despite a high proportion of CRH's economic activities not being covered by the Climate Delegated Act.”

Persimmon Annual Report 2021, pg. 18 - 19

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) DISCLOSURES

The Group has chosen to continue to report in line with the HOME BUILDERS Sustainability Accounting Standard, where possible, to aid comparability and transparency.

SASB was founded in 2011 as a not-for-profit, independent standards setting organisation to assist companies in disclosing financially material, decision-useful sustainability information to investors. It is a US standard, therefore where possible, the UK equivalent has been provided as an alternative measure. In addition, we have provided additional metrics where we believe they will provide further information regarding a specific sustainability topic.

Sustainability Disclosure Topics and Accounting Metrics

Activity metric	Code	Category	Unit of measure	Data
Number of owned and controlled plots	IF-HB-000.A	Quantitative	Number	88,043
Number of homes delivered	IF-HB-000.B	Quantitative	Number	14,551
Number of active selling communities	IF-HB-000.C	Quantitative	Number	c.290

Topic	Accounting metric	2021 data	SASB code
Land use and ecological impacts	Number of (1) plots and (2) homes delivered on redevelopment sites	(1) 21,070 plots (2020: 21,979 plots) (2) 3,504 homes (2020: 3,414 homes)	IF-HB-160a.1
	Number of (1) plots and (2) homes delivered in regions with High or Extremely High Baseline Water Stress.	(1) 2,058 plots (2020: 2,842 plots) (2) 633 homes (2020: 598 homes)	IF-HB-160a.2
	Total amount of monetary losses as a result of legal proceedings associated with environmental regulations.	There have been no material instances of monetary losses as a result of legal proceedings associated with the environment.	IF-HB-160a.4
	Discussion of process to integrate environmental considerations into site selection, site design, and site development and construction	The Group performs a 'Planning and Environmental R… Assessment' for each potential site identified coverin… matters including contaminated land, water contamin… and biodiversity impacts. This assessment is used to … and design the site and put in place appropriate mea… to mitigate adverse environmental impacts. The Grou… technical and construction teams are involved in site … and development from an early stage in the planning process through 'land technical team meetings' and '… meetings' to discuss progressing the scheme and en… environmental conditions are effectively implemente…	
	Public open spaces and gardens provided for families*	662 acres (2020: 635 acres)	
Workforce Health and Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	(1) (a) Annual Injury Incidence Rate of 2.5 per 1,000 w… (2020: 1.7 per 1,000 workers) (reported in line w… UK Health and Safety Executive (HSE) methodology). (2) (a) 0, (b) 0	
	Construction work related incidents per 1,000 workers	4 (2020: 3.4)	
	Health and safety training days delivered	915 days (2020: 1,028 days)	

“Persimmon provides good detail presented across two pages on their alignment with the SASB index. We like how they detailed SASB disclosures as a standalone item in their Strategic Report Contents page.”

Topic	Accounting metric	2021 data	SASB code
Design for resource efficiency	Average energy efficiency score of our new homes (SAP rating)**	87 (2020: 86)	IF-HB-410a.1
	Percentage of installed water fixtures certified to WaterSense® specifications	This is a program sponsored by the US Environmental Protection Agency and as such, not specifically relevant to Persimmon. For information on the efficiency of our homes, please see page 42.	IF-HB-410a.2
	Number of homes delivered certified to a third party multi-attribute green building standard	Note that there are no equivalent multi attribute green building standards in the UK.	IF-HB-410a.3
	Description of risks and opportunities related to incorporating resource efficiency into home design, and how benefits are communicated to customers	All of our homes are designed to achieve high levels of energy efficiency, see page 42 for more details.	IF-HB-410a.4
Climate change adaptation	Description of how proximity and access to infrastructure, services, and economic centres affect site selection and development decisions	When selecting sites for development, Persimmon's objective is to develop natural extensions to existing communities that have the least environmental impact. As such, proximity to existing infrastructure and local amenities such as schools, shops and towns is a key consideration for the Group's land, planning and design teams when identifying potential sites.	IF-HB-410b.1
	Number of (1) plots and (2) homes delivered on infill sites	(1) 60,108 plots (2020: 60,205 plots) (2) 11,140 homes (2020: 9,819 homes)	IF-HB-410b.2
	(1) Number of homes delivered in compact developments and (2) average density	(1) 7,621 homes (2020: 6,644 homes) (2) 18 plots per net developable acre (2020: 17)	IF-HB-410b.3
	First occupation expenditure – customers' expenditure on furnishing and decorating their new home**	£80m (2020: £74m)	Additional information
	Residential expenditure – spending within local shops and services by residents of new homes delivered**	£433m (2020: £402m)	Additional information
	Number of plots located in 100-year flood zones	The Group does not build directly on 100-year flood zones. If any area within our sites fall into this category, it is not developed, in line with the planning requirements, which will have been agreed before land investment.	IF-HB-420a.1
	Percentage of sites with sustainable urban drainage systems	82% (2020: 78%)	Additional information
	Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks	Please see the Group's Task Force on Climate related Risk Disclosures (TCFD) on page 62.	IF-HB-420a.2

* Estimated using an economic toolkit.

** SASB requirement refers to a US regulation/standard. The UK equivalent has been provided as an alternative measure where possible.

Contents

1–75 STRATEGIC REPORT

SSE Annual Report 2021, pg. 46 - 47

ENGAGEMENT IN ACTION
GOVERNMENT AND REGULATORS

FURTHER AND FASTER AT COP26

The cornerstone of SSE's engagement with government and regulators in 2021/22 was the Company's Principal Partnership with the UK Government on COP26. SSE was able to showcase its standing as a national clean energy champion in what was a significant stepping up of engagement activity in the lead-up to, during and after the Glasgow event. Through more than 150 direct COP-related engagements, SSE established 50 new business relationships, received more than 20 public endorsements from stakeholders, and formed 14 new partnerships.

Crucially, SSE was able to support a number of COP-linked policy announcements through its advocacy for decarbonisation of the energy sector to go further and faster. In the months following COP26, positive engagement, including meetings with the Secretary of State for Department of Business, Energy and Industrial Strategy and the Prime Minister, continued to maintain political resolve on the Glasgow Pact and highlight SSE's role in delivering national net zero targets.

SSE's Gregor Alexander and Alistair Phillips-Davies with Chancellor Rishi Sunak at COP26.

Financing climate strategies

SSE understands that investors are increasingly looking for robust mechanisms through which they can ensure their investments are sustainable and take account of climate-related risks. To support the growth of green finance, SSE also has pursued a strategy of issuing green bonds to fund its net zero investment plans. SSE has issued four green bonds, with the total outstanding at £2bn which reaffirms SSE's position as the largest issuer of green bonds in the UK corporate sector.

Aligning to taxonomy definitions

A developing UK Taxonomy

SSE supports the development of sustainable finance beyond green and sustainable debt markets. The establishment of a European Taxonomy is an important step forward in defining environmentally sustainable economic activity within equity markets and, as a UK-listed energy company, SSE is looking forward to the establishment of a UK Taxonomy based on the broad principles established by the EU. In support of a consistent, although UK-appropriate, taxonomy, SSE engaged constructively with several sta... in 2021/22, including HM Trea... the Department of Business, E... Industrial Strategy to suggest... the UK Taxonomy could be d... simpler, transparent and auditable. SSE has made the case that:

- Any inclusion of gas generating activities within the UK Taxonomy should demand carbon abatement;
- The operational expenditure metric be replaced with alternative metrics which are clearly defined and auditable, such as operating profit and loss metric which is captured within the UK adopted IFRS financial reporting standards;
- To ensure all relevant economic activity is captured, activities measured should encompass projects within joint control, such as equity investments into large scale offshore wind farm projects.

Assessing SSE's activities

To provide stakeholders with an initial indication of SSE's economic activities according to taxonomy criteria, SSE has undertaken preliminary work to assess its activities using the eligible activities of the EU Taxonomy as a basis. The table on page 47 provides an illustration of SSE's taxonomy aligned activities. Taxonomy eligible activities in 2021/22 are from SSE's onshore and offshore wind generation, hydro (run of river and pumped storage) as well as its networks different measures were: adjusted operating profit, 84%; adjusted investment and capital expenditure, 86%; and, revenue, 30%.

The reason that SSE's taxonomy-eligible activity appears low in relation to its revenue, is primarily due to Energy Portfolio Management trading activity and the sale of power to end customers, both of which are high volumes, with pass through costs and lower margins than in larger businesses such as renewables generation and networks businesses. SSE believes that revenue is a poor measure in assessing its economic activity and that the most appropriate measures of its taxonomy-eligible economic activity are in relation to its capital investment and its operating profit.

The taxonomy non-eligible activities are associated with SSE's thermal generation and gas storage businesses. Other activities that do not currently align may qualify for taxonomy alignment in the future.

Providing the UK Taxonomy does not deviate significantly from the EU model, SSE expects its assessment of its taxonomy eligible activities disclosed on page 47 to

Financial impact of SSE's taxonomy activities

SSE's reported segments (a)	Taxonomy eligible activity(a)	Revenue (b)		Adjusted operating profit (c)		Adjusted investment and capital expenditure (d)	
		£m	%	£m	%	£m	%
SSEN Transmission	Transmission of electricity	589.7	7	380.5	25	614.4	32
SSEN Distribution	Distribution of electricity	954.6	11	351.8	23	364.8	19
SSE Renewables	Electricity generation	357.4	4	568.1	37	674.3	35
EPM	As route to market for SSE Renewables	713.6	8	(5.6)	0	0.8	0
Total taxonomy eligible activities		**2,615.3**	**30**	**1,294.8**	**84**	**1,654.3**	**86**
SSE Thermal	Thermal generation	844.2	10	306.3	20	129.3	7
Gas Storage	Supply of energy	8.7	0	30.7	2	2.1	0
EPM	As route to market for SSE Thermal	713.6	8	(5.6)	0	0.8	0
Taxonomy non-eligible activities		**1,566.5**	**18**	**331.4**	**22**	**132.2**	**7**
Business Energy		2,289.0	27	(21.5)	(1)	35.2	2
SSE Airtricity		1,177.3	14	60.4	4	4.6	0
Distributed Energy		176.9	2	(10.9)	(1)	26.6	1
EPM	As route to market for Business Energy	713.6	8	(5.6)	0	0.8	0
Corporate unallocated		69.7	1	(111.8)	(7)	78.7	4
Total taxonomy partially/not-aligned activities		**4,426.5**	**51**	**(89.4)**	**(6)**	**145.9**	**8**
Total continuing operations		**8,608.2**	**100**	**1,536.8**	**100**	**1,932.4**	**100**

Notes:
(a) Alignment is based on segmental reporting in SSE's financial year end statements.
(b) Revenue: derived from the disaggregation of revenue from contracts by customers, in line with the requirements of IFRS 15 "Revenue from Contracts with Customers" (see note 5.1.1).
(c) Adjusted operating profit/loss: calculated as adjusted operating profit/loss related to the businesses aligned with the taxonomy categories (see note 5.1.2).
(d) Adjusted investment and capital expenditure: calculated as adjusted capital expenditure related to assets or processes associated with taxonomy-eligible economic activities that is accounted for based on IAS 16, IAS 38 and IFRS 16 and thereby included within adjusted capital expenditure (see note 5.1.3).

Taxonomy eligible activities at a glance

Revenue

Eligible · Not eligible · Not aligned

Adjusted operating profit

Eligible · Not eligible · Not aligned

Adjusted investment and capital expenditure

Eligible · Not eligible · Not aligned

Assumptions

SSE's accounting policies for these calculations are based on the EU Taxonomy Regulation and delegated acts and available guidelines from the UK Government.

- **Linkage principle**
  In calculating each taxonomy-eligible proportion, a 'linkage principle' has been applied, stipulating that any revenue, operating profit/loss or capital expenditure that can be justifiably linked to an identified taxonomy economic activity can be classified as taxonomy-eligible. Using this principle, revenue and operating profits from SSE's balancing activities, hedging, and trading can be linked to the EU taxonomy eligible activities when the activity is undertaken to directly ... renewable versus non-renewable assets applied to revenue and operating profit/loss.
- **Materiality**
  The analysis has been prepared by applying a top-down review of SSE's activities and the alignment with existing segmental reporting within taxonomy eligible activities. There are some activities that fall below specified thresholds which are not taxonomy eligible. As SSE's reporting processes and controls are refined by the implementation of the UK Taxonomy, it is expected that some activities will be reclassified if they move above certain materiality thresholds.
- **UK taxonomy eligibility**
  ... distribution activities do not currently qualify ... due to the use of Polychlorinated Biphenyls ... tted to removing PCBs within its business ... ne with recent UK legislation. It is therefore ... xonomy will include these activities as

"SSE clearly identifies content including references for SASB, GRI and the United Nations Global Compact (UNGC), communicating the information clearly and in alignment with the relevant standards for benchmarking purposes. We particularly liked the discussion on the UK Taxonomy development. SSE discloses the outcomes of its preliminary work to assess eligible activities (based on the EU Taxonomy model) which indicates sustainability reporting is a key area of focus for the company."

7

Spotlight

Innovative Reporting

Lloyds Banking Group Annual Report 2021

Companies face increased pressure to address all stakeholder concerns and address current and future regulations and issues such as ESG risks. The consequence of this is that the reports become less user friendly - with too much information and a difficult structure.

As companies face current and future regulations, as well as pressures from stakeholders to report on ESG issues, it is becoming increasingly difficult to produce a coherent and succinct report.

The company featured here has effectively provided all the necessary information and disclosures in a concise way.

2021 annual report

Our annual report provides disclosures relating to our strategic, financial, operational, environmental and social performance, along with detail on our strategy.

2021 ESG report

Our ESG report provides information on our environmental, social and governance performance and how we delivered against our Helping Britain Recover commitments for 2021.

2021 climate report

Our first stand-alone climate report provides detail of progress on our climate strategy and our reporting against the recommendations of the Task Force on Climate-related Financial Disclosures.

"Lloyds Banking Group provided a succinct and concise report which provided comprehensive detail without overburdening the reader and referencing multiple reports. We liked that Lloyds included, in their Annual Report, a Non-financial information statement that summarised the reporting requirements and where the relevant information could be found. This allowed for a user-friendly experience whilst still including these important topics within the Annual Report."

Non-financial information statement

This section of the strategic report constitutes Lloyds Banking Group's Non-Financial Information Statement, produced to comply with sections 414CA and 414CB of the Companies Act. The information listed is incorporated by cross-reference.

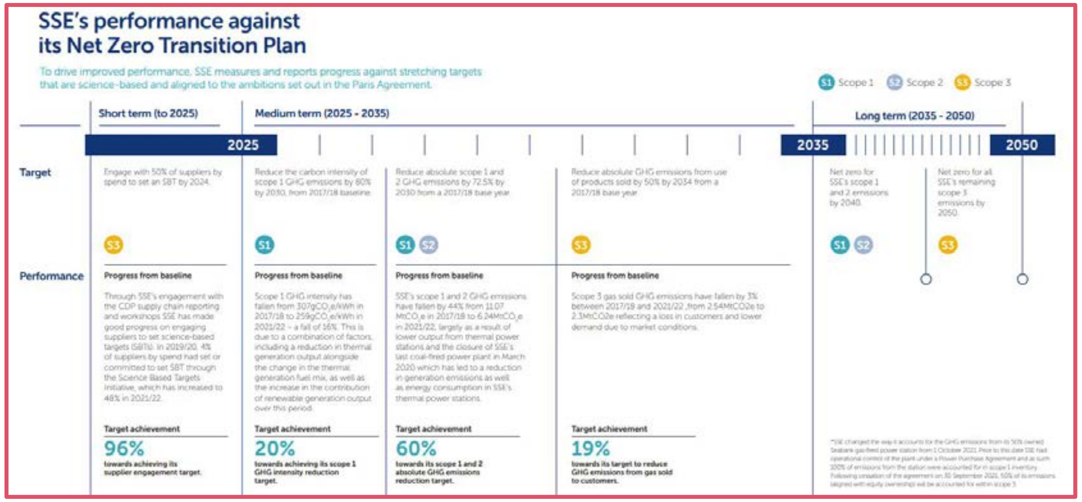
Reporting requirement	Policies and standards which govern our approach	Information necessary to understand our Group and its impact, policies due diligence and outcomes
Stakeholders	• Annual materiality assessment[1] • Supplier management	- Delivering value for our stakeholders, **page 24** - Board stakeholder engagement and decision making, **pages 26 to 29** - ESG Report 2021, **page 14** www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads - Code of Supplier Responsibility link to documents: www.lloydsbankinggroup.com/who-we-are/working-with-suppliers/responsible-sourcing-suppliermanagement
Environmental matters	• Environmental (TCFD) statement	- Board stakeholder engagement and decision making, **page 28** - 2021 climate change progress, **pages 35 to 36** - Climate Report 2021 link to documents: www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads
Employees	• Colleague Policy[1] • Code of Responsibility • Health and Safety Policy[1]	- Board stakeholder engagement and decision making, **page 27** - 2021 inclusion and diversity performance, **page 34** - ESG Report 2021, **pages 45 to 55** - Code of Ethics and Responsibility link to documents: www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads
Respect for human rights	• Human Rights Policy statement • Colleague Policy[1] • Pre-Employment vetting standards[1] • Data Privacy Policy[1] • Modern Slavery and Human Trafficking Statement • Information and Cyber Security Policy[1]	- Board stakeholder engagement and decision making, **page 28** - 2021 inclusion and diversity performance, **page 34** - The Group are guided by the International Bill of Human Rights, the International Labour Organisation's (ILO) Core Labour Standards and its Tripartite Declaration of Principles, the Organisation for Economic Co-Operation and Development (OECD) Guidelines for Multinational Enterprises, and the UN's Guiding Principles on Business and Human Rights. As signatories to the United Nations (UN) Global Compact, we are aligned with its human rights and labour standards and report on our progress annually. Pursuant to the UK Modern Slavery Act, we produce a Modern Slavery Statement. - Modern Slavery and Human Trafficking Statement - Human Rights Policy Statement - ESG Report 2021, **pages 45 to 63** link to documents: www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads
Social matters	• Volunteering standards[1] • Matched giving guidelines[1]	- Delivering value for our stakeholders, **page 25** - Board stakeholder engagement and decision making, **page 27** - 2021 strategic performance, **page 32** - ESG Report 2021, **page 53** link to documents: www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads
Anti-corruption and anti-bribery	• Anti-Bribery Policy[1] • Anti-Bribery Policy Statement • Anti-Money Laundering and Counter Terrorist Financing Policy[1] • Fraud Risk Management Policy[1]	- Our external environment, **page 11** - ESG Report 2021, **pages 55 to 63** - Anti-Bribery Policy Statement link to documents: www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads
Description of principal risks and impact of business activity		- Risk overview, **pages 37 to 43**
Description of the business model **Non-financial key performance indicators**		- Our unique business model, **pages 22 to 23** - 2021 key performance indicators, **page 30** - Our strategy, **pages 06 to 21** - 2021 strategic performance, **page 32** - Global Reporting Initiative (GRI) standards www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads - Reporting Criteria www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads - ESG Report 2021 www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads

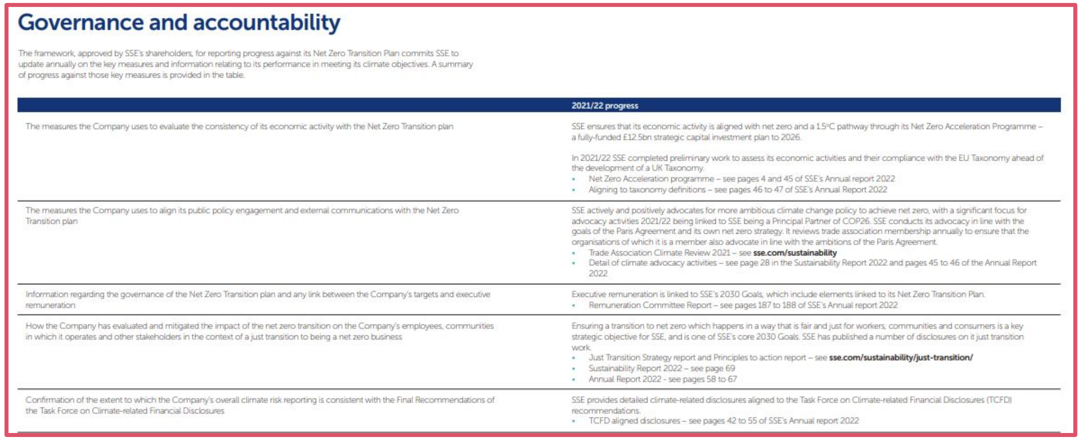
Disclosing a clear and considered Net Zero Transition Pathway is a challenge for companies.

Innovation can be utilised to report transition pathways. Reporting key pillars and principles for action allow for a clear blueprint to Net Zero.

The company featured in this section is one that has disclosed an innovative Net Zero transition report.

> "SSE has disclosed a leading Net Zero Transition report in 2022. We particularly liked the diagram that illustrated the blueprint for SSE to be Net Zero. This blueprint was well considered, with targets and respective actions linked together."





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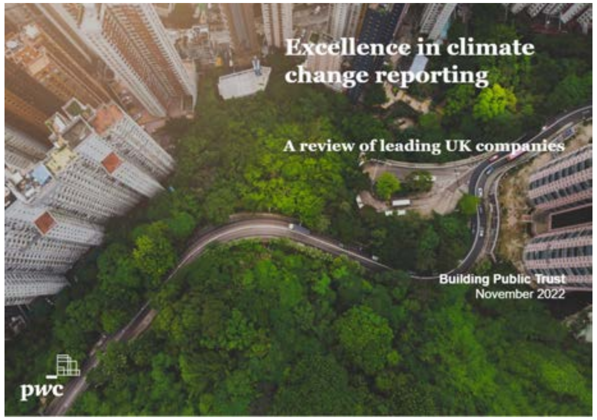
…and refer to our other relevant reporting and analysis, available online



Excellence in climate change reporting 2022 - A review of leading UK companies

PwC Net Zero Economy Index 2022

TCFD 2022 Status Report