

Webinar: Climate Change Risk Issues: How does it affect business?

*Climate change and GRI: Beyond carbon,
beyond reports*

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An aerial photograph of a yellow tractor working in a field, kicking up a cloud of dust. The image is partially obscured by a semi-transparent white rectangular overlay.

Climate Change & GRI : Beyond carbon, beyond report

Verna Lin
Head of Greater China Regional Hub, GRI

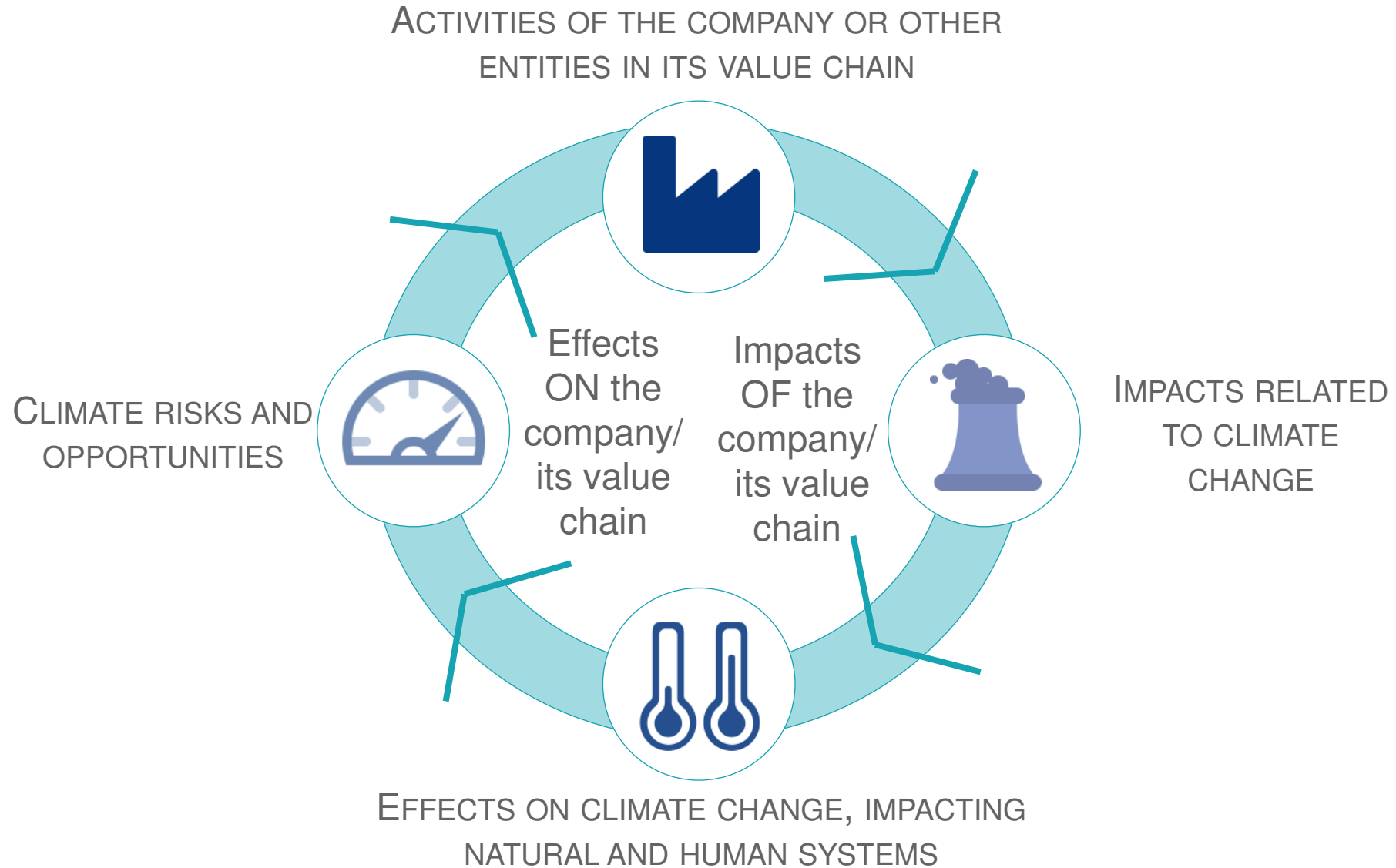
7 Oct 2021 Green Council Hong Kong

Agenda

- **Climate Change and Business**
- **Reporting on Climate Change**
- **Updates on GRI and the GRI Standards**

Climate change and business

What is the relationship?



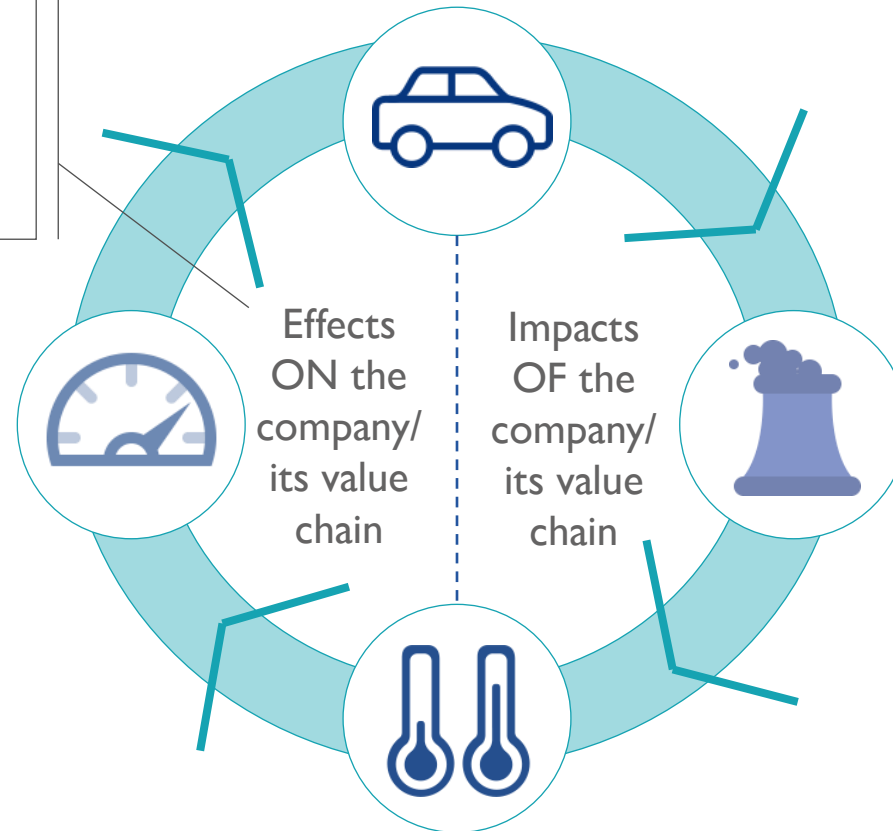
Climate change and business

- Case study: Volkswagen

- Payment of \$15.3bn to customers and regulators
- Drastic drop in the stock price
- Reputational damage

VOLKSWAGEN'S SALE OF CARS WITH "DEFEAT DEVICE"

TRANSITION RISKS
REPUTATIONAL RISKS
LIABILITY RISKS
PURE FINANCIAL RISKS



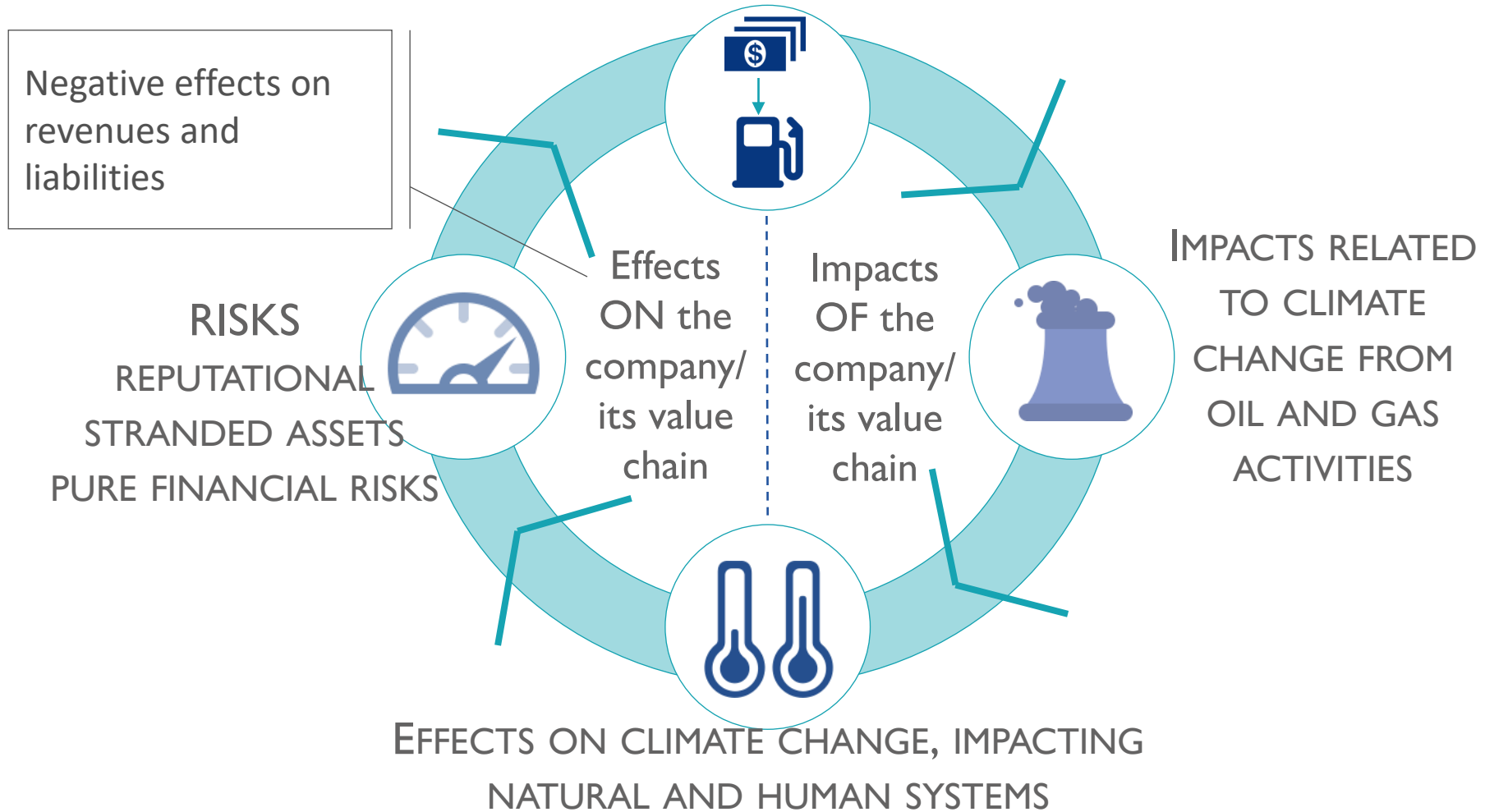
NO_x EMISSIONS OF CARS ALMOST 40 TIMES THE ALLOWABLE LIMIT

EFFECTS ON CLIMATE CHANGE, IMPACTING NATURAL AND HUMAN SYSTEMS

Climate change and business

BANKS FINANCING OIL AND GAS COMPANIES

- Case study: Banks financing oil and gas



Climate change – what's happening?



How are governments responding?

The **European Green Deal** aims to make Europe the world first climate-neutral continent by 2050.

EU's 2030 climate and energy framework:

- Reduction target of **GHG** emissions of at least 55% by 2030
- At least 32% share for **renewable energy**
- At least 32.5% improvement in **energy efficiency**

China's pledge to become climate-neutral by 2060.

President elect Joe Biden proposing to make **US** electricity production carbon-free by 2035 and to have the country achieve net zero emissions by 2050.

Global action on climate change



How are businesses responding?

Outcomes of the UN Climate Change Summit – September 2019

- A group of the world's largest **asset-owners** -- responsible for directing more than \$2 trillion in investments -- committed to carbon-neutral investment portfolios by 2050.
- 87 **major companies** with a combined market capitalization of over US\$ 2.3 trillion pledged to reduce emissions and align their businesses with the 1.5°C warming goal.
- 130 **banks** – one-third of the global banking sector – signed up to align their businesses with the Paris agreement goals.

In May 2020, 155 companies signed a statement urging Governments around the world to align their COVID-19 economic aid and recovery efforts with the latest climate science.



Reporting on climate change: exploring the main challenges

Related to Covid-19

- Lot of environmental data will be skewed because operations were less, travel was less, demand for certain products/services drastically changed. Environmental disclosures and numbers might look very positively, but they do not necessarily will have to do with a better environmental performance.
- How are companies going to put this in perspective and transparently communicate to their stakeholders what does this mean for their general emission reduction strategy?
- Delays for reporting procedures might be expected, including collecting data.
- Some companies see this as an opportunity to have a green recovery .

Related to challenges

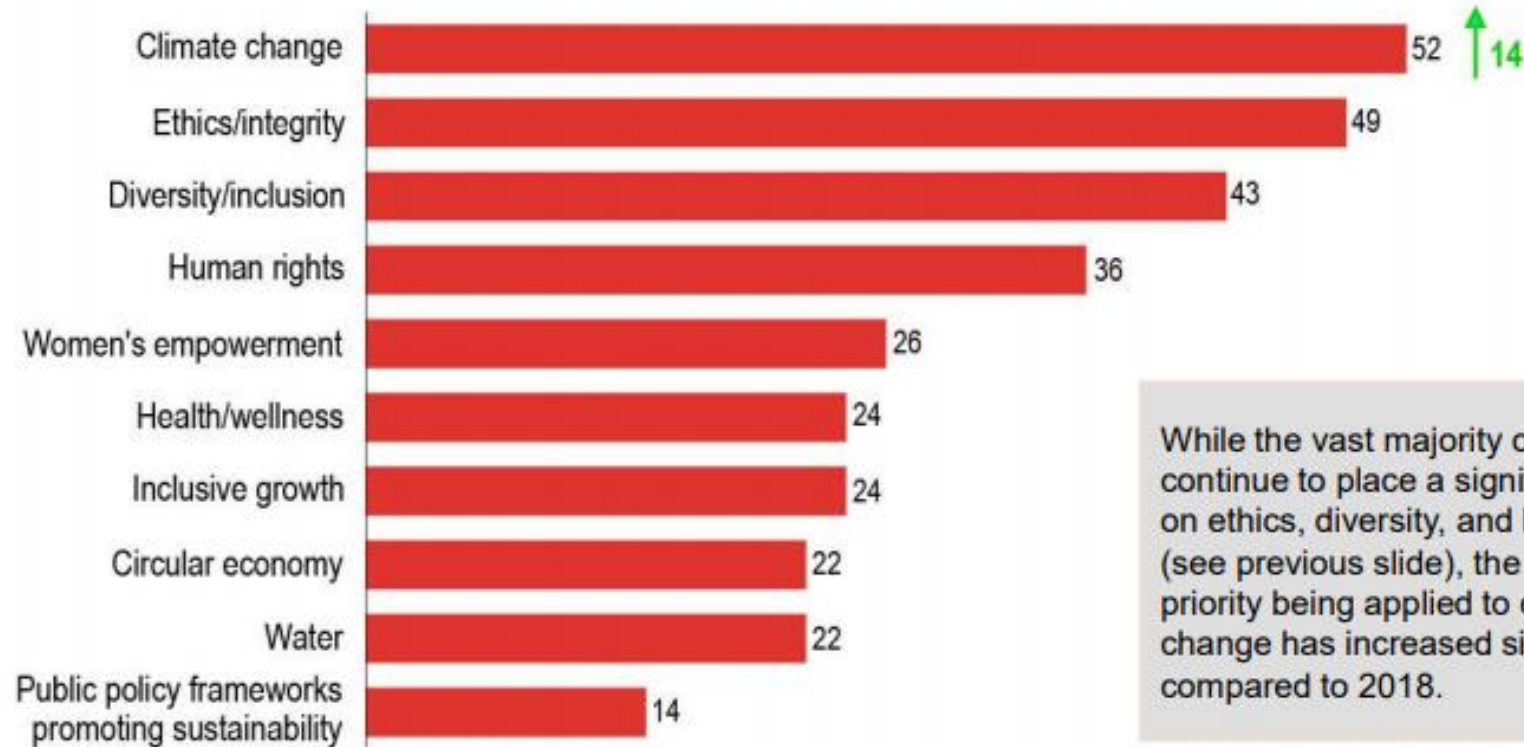
- Lack of context from a lot of companies to address the pressing issues which is emissions in the atmosphere and clear statements in reporting what the company's individual impacts are.
- Systemic issue of climate change often is not addressed enough. How climate change is related to various topics other topics, such as biodiversity loss.
- One of the biggest challenges is the climate reporting related data collection and finding the necessary input for various reporting frameworks, specially when it comes to scope 3 emissions.
- Hard to compare climate change performance between different companies due to different reporting units, KPIs or frameworks. Some procedures have been established within industries (e.g. GHG protocol for GHG accounting) but there are still not many standardized processes regulated by law.

Reporting on climate change and carbon emissions

The intensity around climate change as a strategic priority for companies has increased

Corporate Sustainability Priorities over Next 12 Months, "Very Significant Priority"

All Company Respondents, 2019



While the vast majority of companies continue to place a significant priority on ethics, diversity, and human rights (see previous slide), the level of priority being applied to climate change has increased significantly compared to 2018.

BSR19_1_bar

Q1. When you think about the focus of your company's sustainability efforts in the next 12 months, how much of a priority is each of the following issues? Please use a 5-point scale where 1 is "not at all a priority" and 5 is "a very significant priority."

Reporting on climate change



How does reporting help companies respond to climate change?

The private sector has a critical role to play in responding to climate change.



There is a growing and widely identified need for companies to provide high-quality information on climate-related topics material to their business.

Transparency, through **sustainability reporting** is one of the main ways to improve performance on climate change.

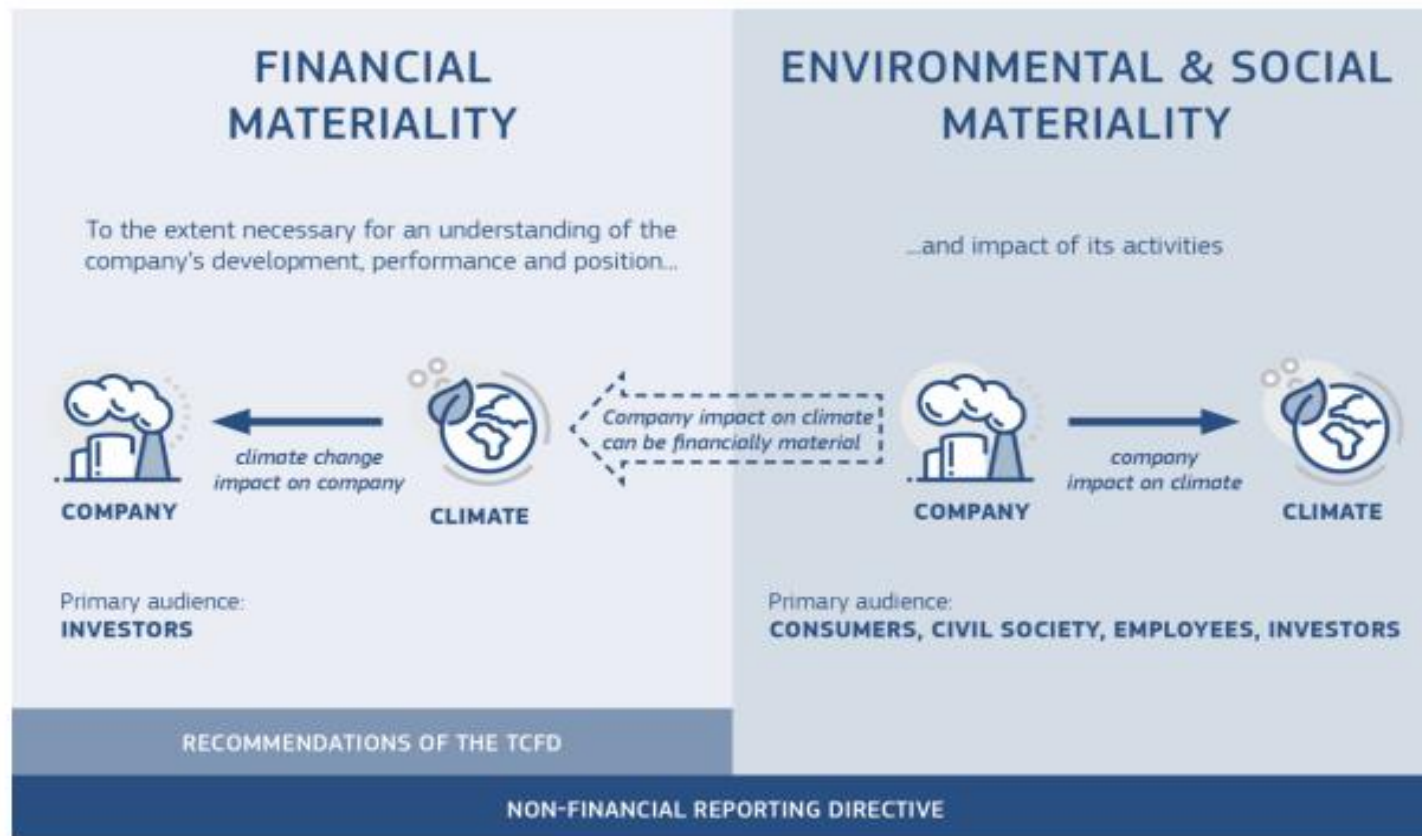


Reporting on climate change

Reporting on climate change

Materiality perspective

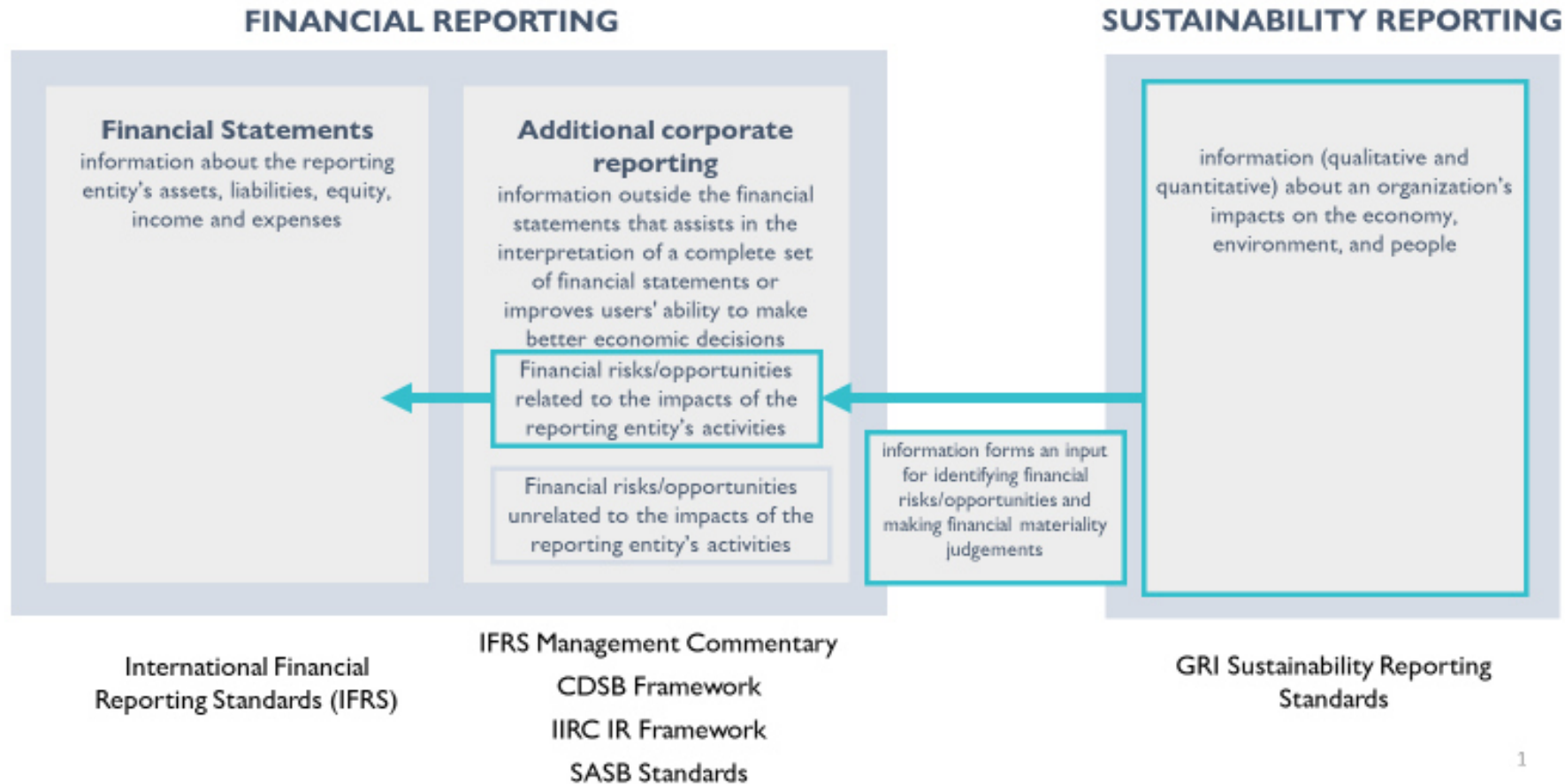
Figure 1
The double materiality perspective of the Non-Financial Reporting Directive
in the context of reporting climate-related information



* Financial materiality is used here in the broad sense of affecting the value of the company, not just in the sense of affecting financial measures recognised in the financial statements.

Double Materiality

A company should start with the assessment of the outward impact



Reporting on climate change and carbon emissions



UNEP study

Main observation: GHG emissions are reported more consistently than other environmental topics, but since they can be calculated in different ways, there are some variations in how data is calculated and presented.

Recommendations:

- Companies should put more emphasis on reporting GHG emissions in the value chain (Scope 3).
- Companies should report the methods used to convert energy use or direct GHG emissions into reporting metrics, such as CO₂ equivalent.

“Raising the Bar – Advancing Environmental Disclosure in Sustainability Reporting”, UNEP

Reporting on climate change and carbon emissions



GRI Standards: Disclosures 102-15 and 201-2

GRI 102: General Disclosures



Key impacts, risks and opportunities



GRI 201: Economic Performance



Financial implications and other risks and opportunities due to climate change



Reporting on climate change and carbon emissions



GRI Standards: Climate-related impacts of the value chain

GRI 302: Energy



Energy consumption
outside the organization

GRI 302: Energy



Reductions in energy
requirements of
products and services

GRI 305: Emissions

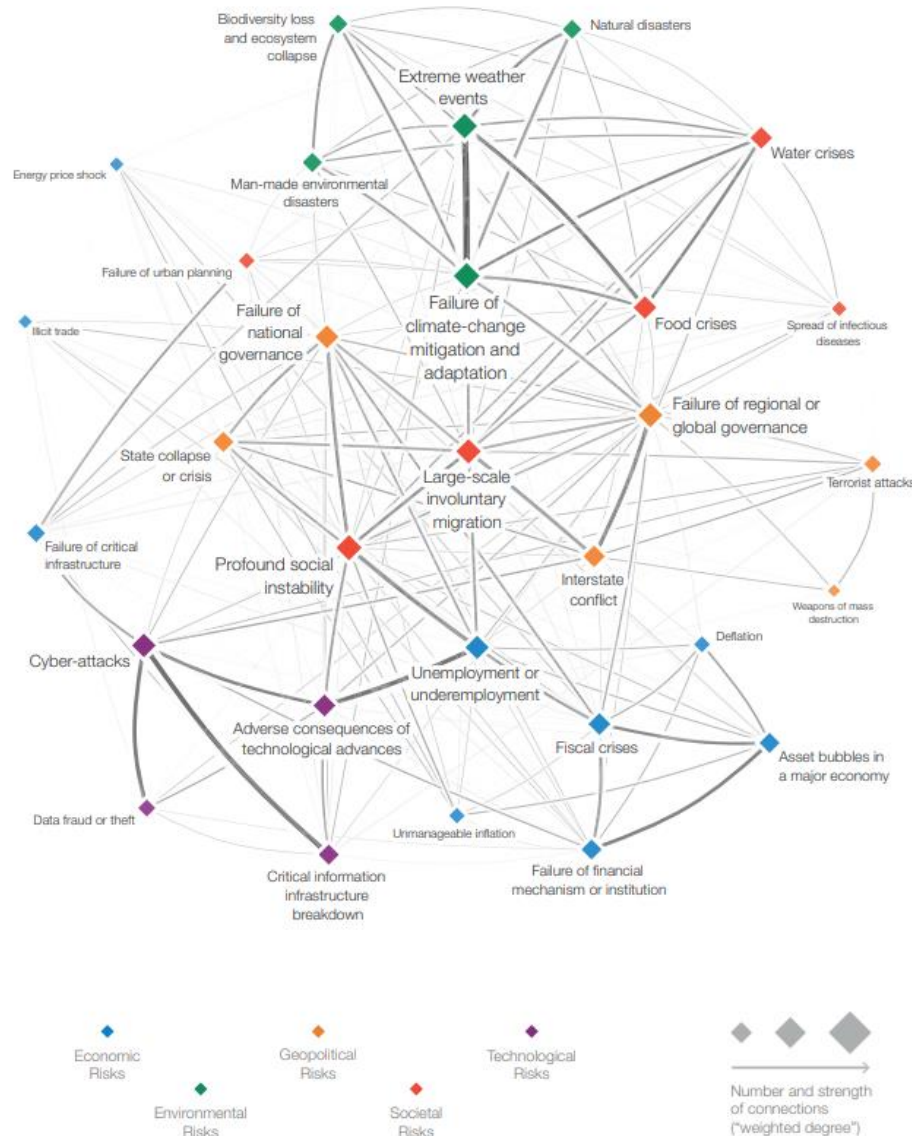


Other indirect (Scope 3)
GHG emissions

[GRI 302: Energy 2016; GRI 305: Emissions 2016](#)

Moving beyond carbon

Mapping the relationships between global risks



Looking beyond the obvious :

- “increased levels of carbon dioxide in the atmosphere are affecting the nutritional composition of staples such as rice and wheat. Research suggests that **by 2050 this could lead to zinc deficiencies for 175 million people, protein deficiencies for 122 million, and loss of dietary iron for 1 billion**”
- “In the United States, more than **4,000 miles of underground fibre optic cable and 1,100 nodes are projected to be underwater within 15 years**, with New York, Miami and Seattle at greatest risk.”

Moving beyond carbon



GRI Standards



GRI 201: Economic Performance 2016



GRI 303: Water 2018



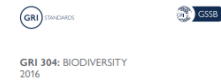
GRI 403: Occupational Health and Safety 2018

Moving beyond carbon

GRI Standards



GRI 203: Indirect Economic Impacts 2016



GRI 304: Biodiversity 2016



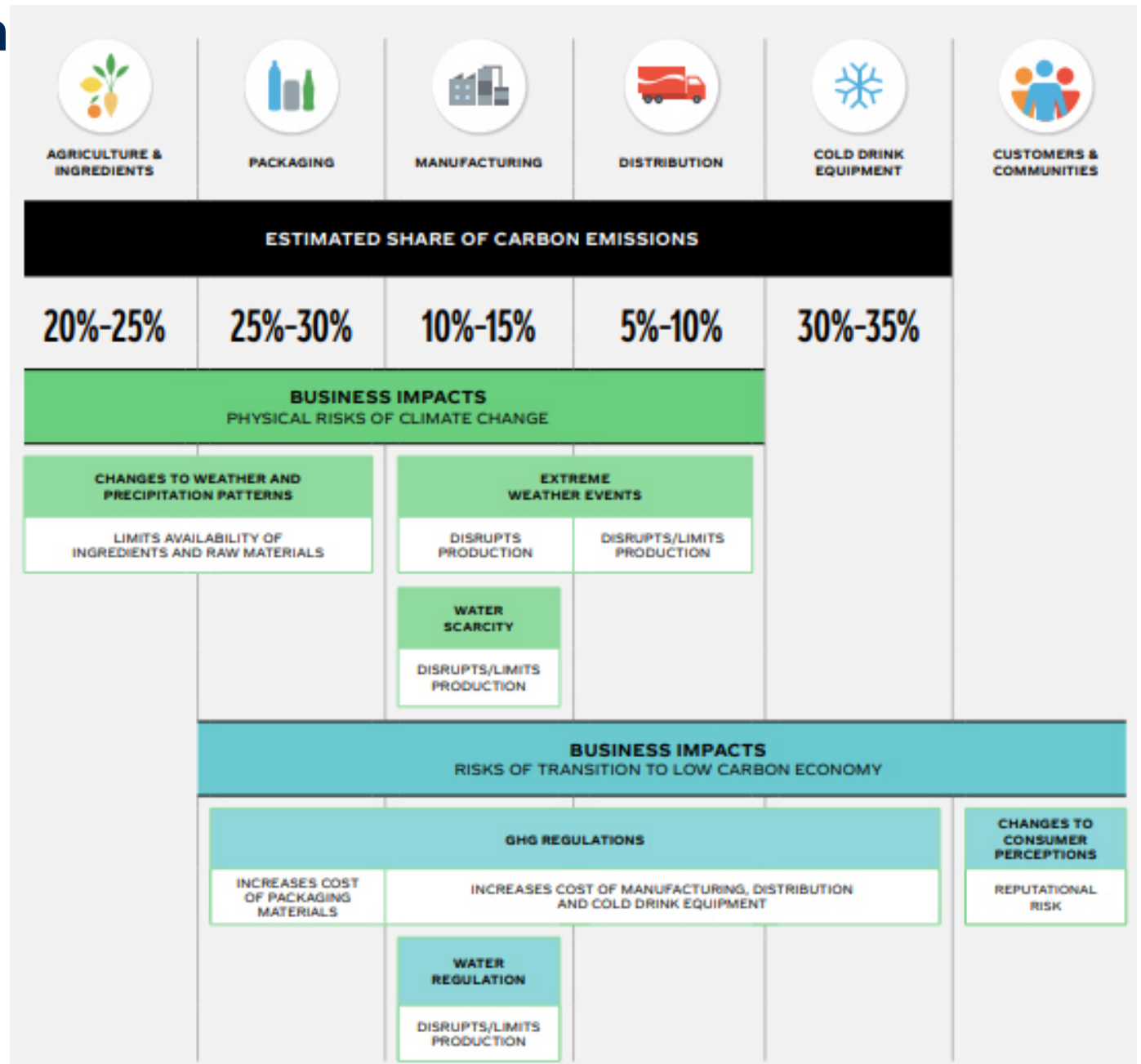
GRI 413: Local Communities 2016

Moving beyond carbon

Case study: Coca Cola



**Risks and Impacts
Aligned with
Recommendations
of the Taskforce on
Climate-related
Financial
Disclosures**



Climate change and business



Example - How is the private sector responding?



Healthy Environment

All scientific projections show that the effect of global warming will continue to increase for decades to come, irrespective of efforts by the global community to start to reduce emissions. We therefore support the development of national adaptation plans. Based on climate change projections, food production in many parts of the world is expected to experience negative impacts from resulting changes in natural resources. However, a large proportion of Fonterra's existing supply base is in regions where impacts may be less severe than elsewhere, and there is a good opportunity for New Zealand to continue to produce safe, world-class quality food products.

This section covers our impact on, and our response to climate change from the manufacturing operations that we manage globally and in relation to the farmers from whom we collect milk.

Our Approach

The GHG emissions associated with dairy products primarily come from the cows on the farms. The largest component of this is the methane the cows produce while digesting feed, emitted mainly through belching (see page 69 for a breakdown for New Zealand farming).

Within our own operations, the majority of our GHG emissions arise from the energy we use. Using heat to pasteurise milk and dry it into powders is great for food safety, and for turning a short shelf-life, seasonal product into long-life valuable nutrition which is very efficient to transport. But it does require significant amounts of reliable energy.

The GHG emissions from the distribution of our finished products to our customers around the world only account for about 1% of our total GHG emissions.

We have set specific targets for GHG emissions arising from our farming and manufacturing operations and we have initiatives underway to help achieve these.

Please refer to "Working with farmers" on page 52 and "Managing operations" on page 54 for further details of our approach.

HEALTHY ENVIRONMENT

Climate change CONTINUED



Our Performance

Climate targets

Indicator	Target	Performance (cumulative change)			Commentary
		FY17	FY18	FY19	
Reduction in manufacturing energy intensity (energy per tonne of production)	20% reduction by 2020 from FY03 baseline (NZ)	17.8% reduction	19.3% reduction	19.5% reduction	There was a further improvement in FY19 and we remain on track to deliver this target. ●
Reduction in absolute manufacturing emissions ¹	30% reduction by 2030 from FY15 baseline (Global)	4.6% reduction	2.5% reduction	3.5% reduction	We have reduced absolute emissions by 3.5% from baseline and our overall manufacturing emissions intensity improved slightly compared to FY18. We have a roadmap to deliver the target and capital investment will be staged. ●

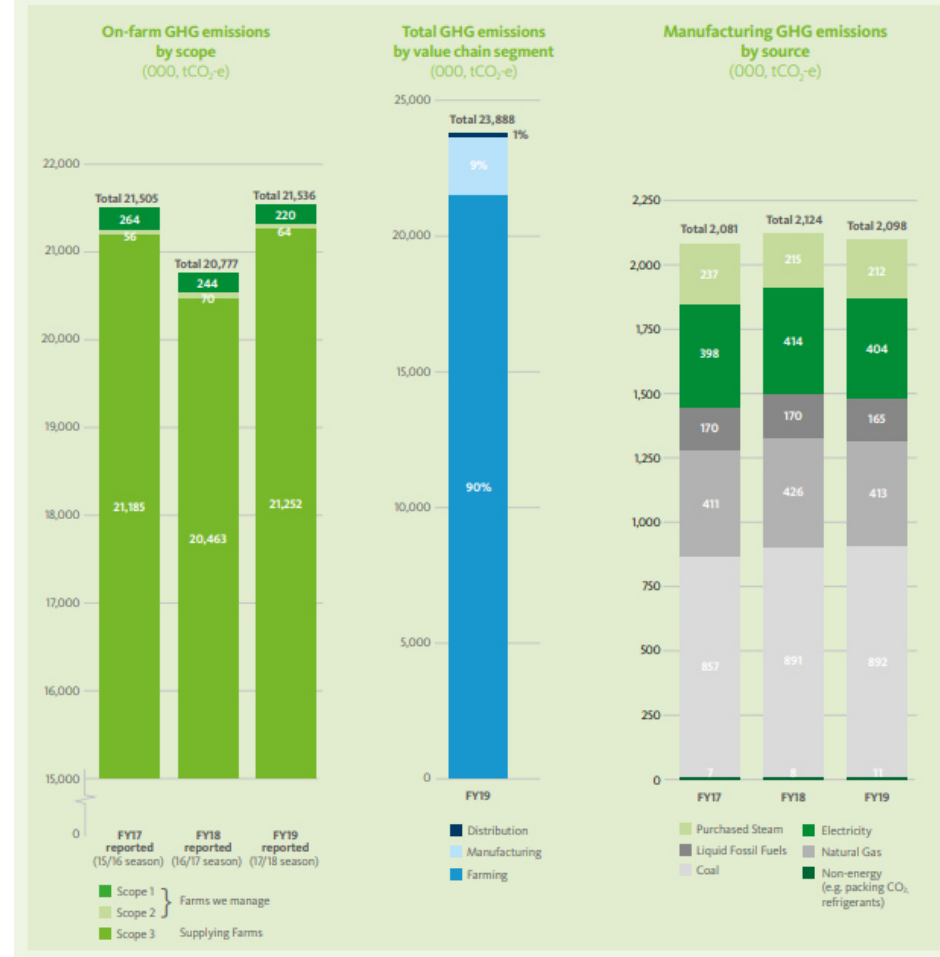
Net change in GHG emissions from dairy farming since 14/15 (NZ) (Pre-farm gate tCO ₂ e) ²	Neutral to 2030	397,000 reduction on 14/15	1,174,000 reduction on 14/15	864,000 reduction on 14/15	Our estimated absolute GHG emissions continues to be well below the baseline season. There was an increase compared to FY18 due to increased milk production without improved emissions intensity. Underlying emissions intensity on farm is 2.0% higher than 14/15 baseline (1.0% higher excluding land use change component). ●
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WHAT'S NEXT

- We will deliver farm-specific GHG reporting to all farmers in New Zealand.
- We will continue to progress our energy efficiency improvements at manufacturing sites.
- We will continue to invest in research and development to investigate breakthrough mitigation technologies for animal emissions.
- We will continue our transition to low-carbon energy sources at manufacturing sites.

FY19 performance: ● Good progress. ● Some progress or slight delay. ● Off track.

Global GHG emissions

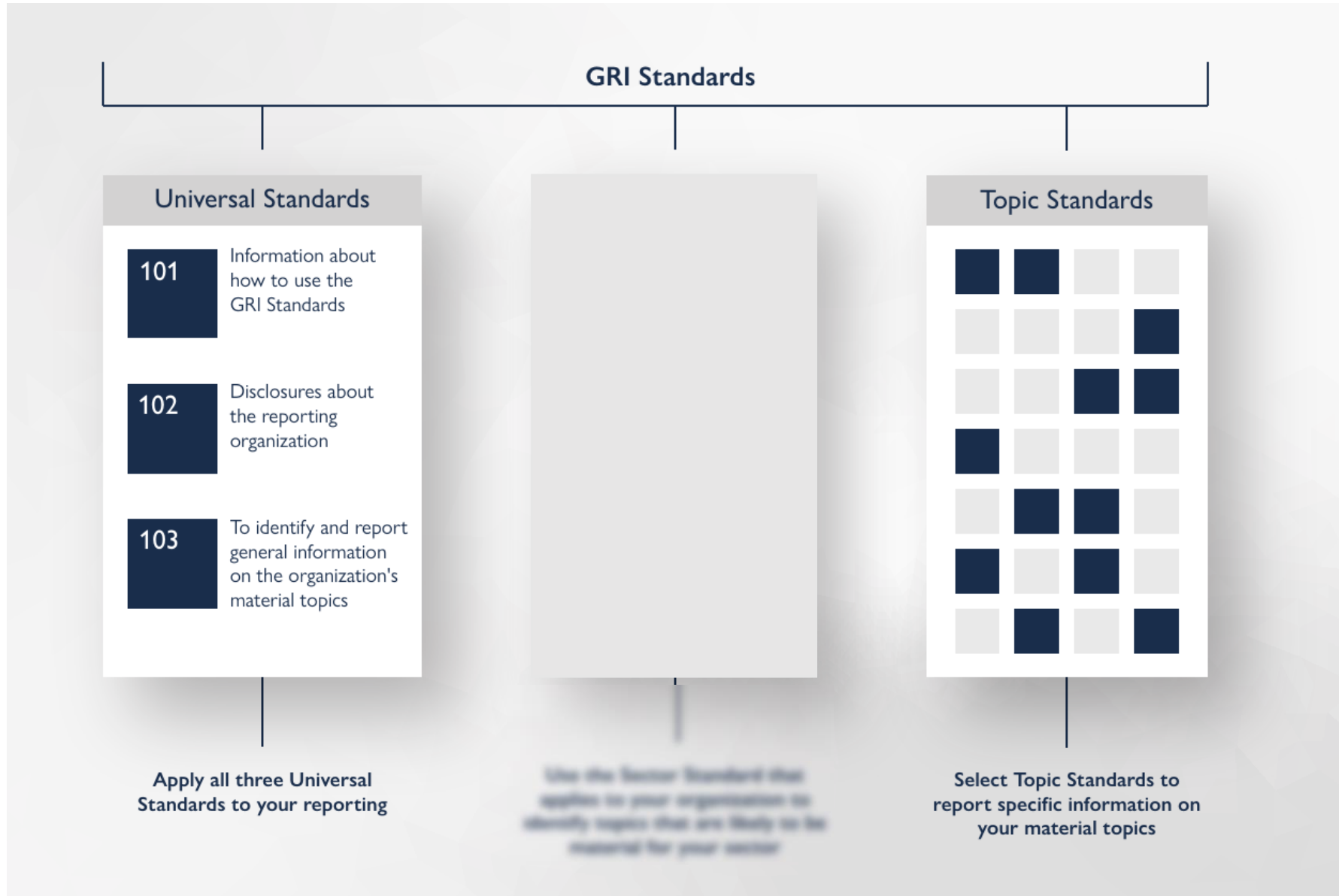


Source: 2019 Sustainability Report

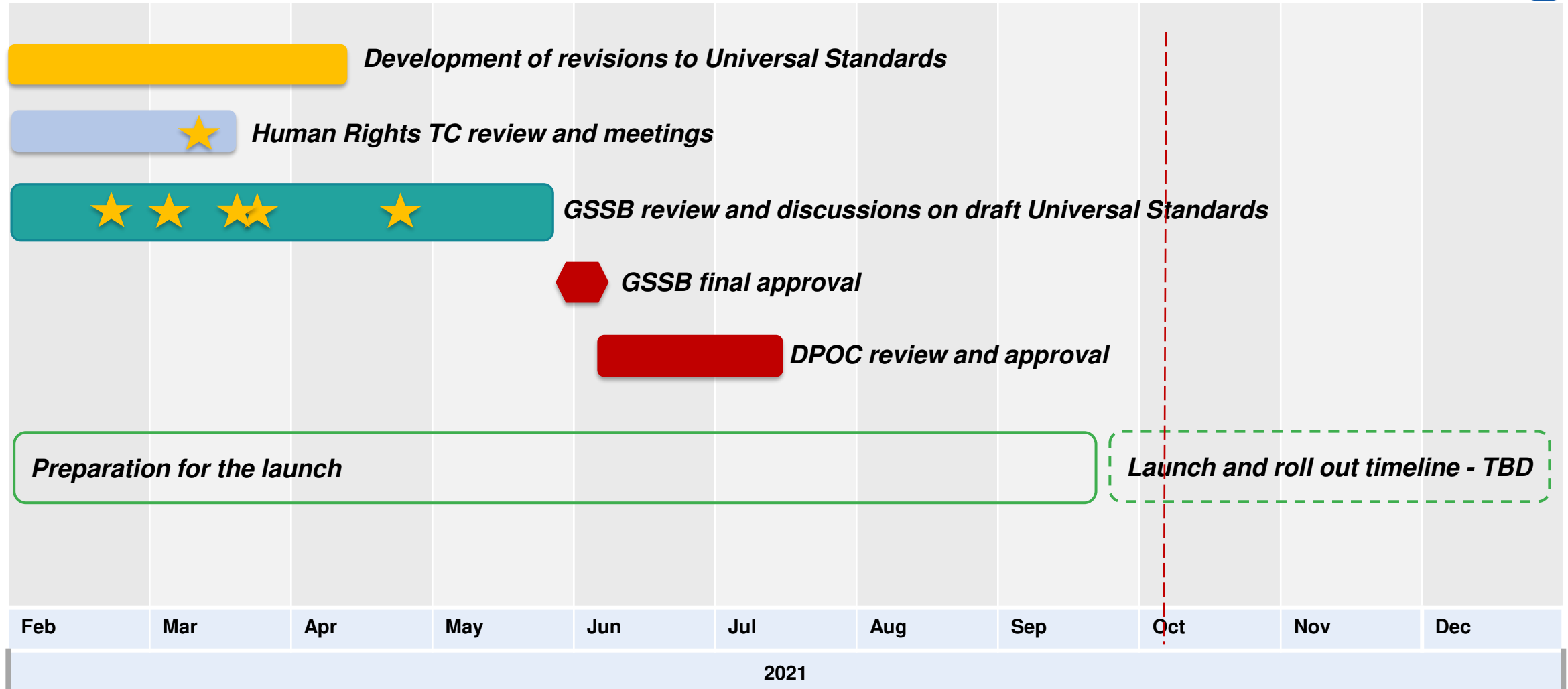


Updates on GRI and the GRI Standards

System of GRI Standards



Universal Standards project update



* Ideas on launch events or outreach to stakeholders? [Get in touch!](#)

The Universal Standards



The Universal Standards, which apply to all reporting organizations, consist of the following:

- **GRI 1: Foundation 2021**
- **GRI 2: General Disclosures 2021**
- **GRI 3: Material Topics 2021**

They are the first and only reporting standards to fully reflect the **due diligence expectations** for sustainability impacts - including on human rights, as set out in intergovernmental instruments by the UN and OECD.

The 2021 revision of the Universal Standards come into effect for reporting from 1 January 2023 – with early adoption encouraged.

Next up for revision

GRI 304: Biodiversity 2016

- Revision approved as priority by GSSB for 2020-2022 workplan
- To be delivered by end of 2022
- Funding of USD 180.000 secured from KPMG (Global), Ambipar (Brazil) and One Earth (US)
- Looking for additional funders



GRI Sector Standards

Each Sector Standard...



Describes the context for the sector



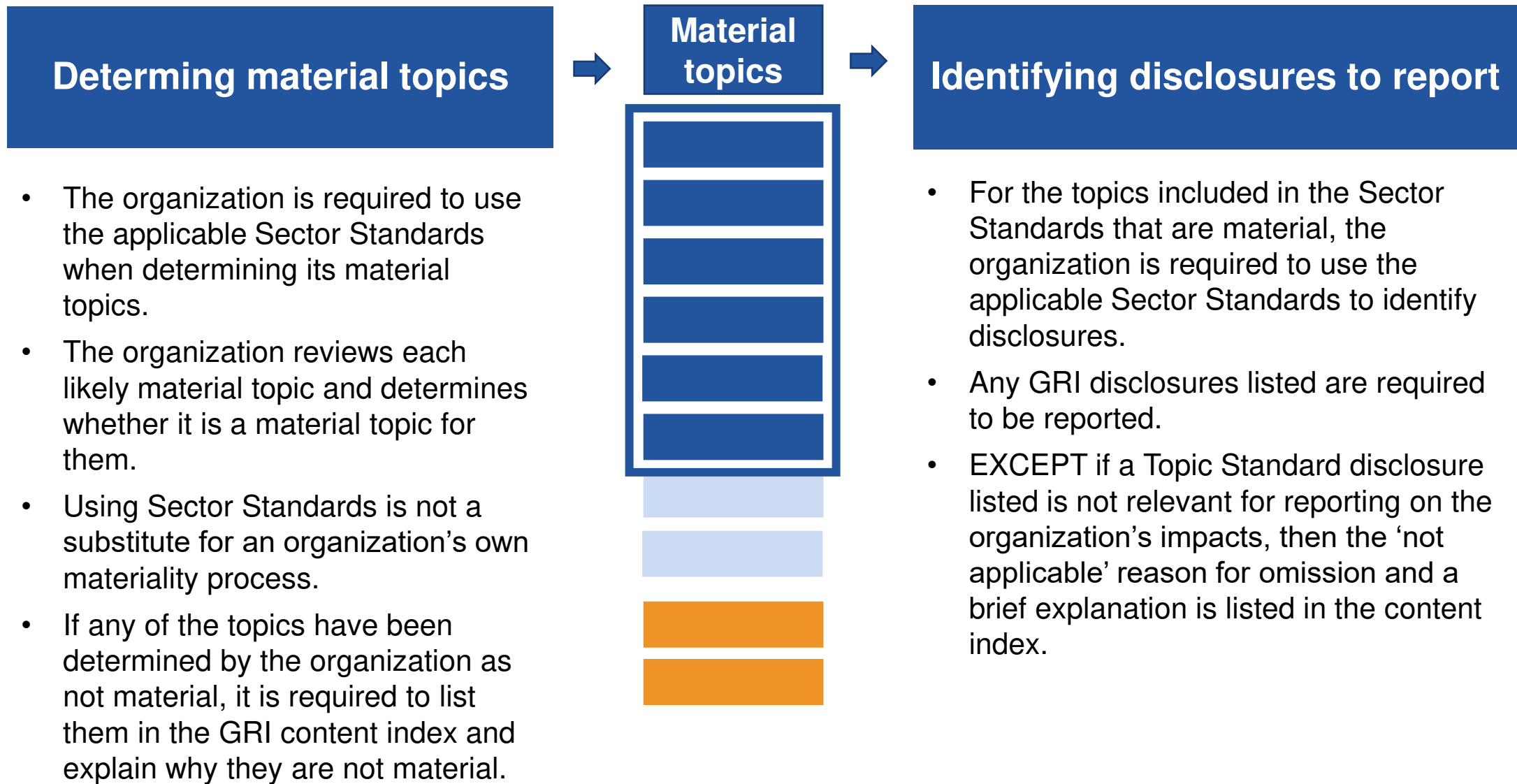
Outlines topics that are likely material for an organization in the sector based on the sector's most significant impacts



Lists the disclosures identified as relevant for reporting on those topics by the sector – this includes disclosures GRI Topic Standards & other sources



How are Sector Standards used?



Determining material topics

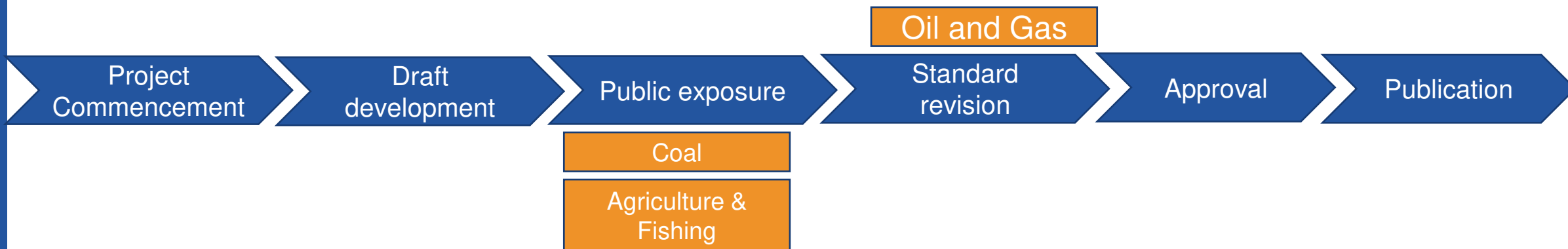
- The organization is required to use the applicable Sector Standards when determining its material topics.
- The organization reviews each likely material topic and determines whether it is a material topic for them.
- Using Sector Standards is not a substitute for an organization's own materiality process.
- If any of the topics have been determined by the organization as not material, it is required to list them in the GRI content index and explain why they are not material.

Material topics



Identifying disclosures to report

- For the topics included in the Sector Standards that are material, the organization is required to use the applicable Sector Standards to identify disclosures.
- Any GRI disclosures listed are required to be reported.
- EXCEPT if a Topic Standard disclosure listed is not relevant for reporting on the organization's impacts, then the 'not applicable' reason for omission and a brief explanation is listed in the content index.



Oil and Gas

- 6 Oct 2020: Public comment closed
 - 61 submissions/1600+ comments on Sector Standards & oil and gas
- Q4 2020: Consideration of comments & identification of changes
- Q1-Q2 2021: Standard finalization
- Q3 2021: Approval and release of Standard (to be aligned with release of Universal Standards)

Coal

- Q3 2020 – Q1 2021: Development of standalone drafts for coal
- 19/5-30/7 2021: Public comment
- Q3/Q4 2021: Consideration of public comments & revisions to the Standard
- Q4 2021/Q1 2022: Approval and release of Standard

Agriculture & Fishing

- Q2-Q4 2020: Development of draft Standard
 - 5 PWG meetings + sub-group discussions
 - External peer review in Nov
- Q1 2021: Exposure draft development
- 19/5-30/7 2021: Public comment
- Q3/Q4 2021: Consideration of public comments & revisions to the Standard
- Q1 2022: Approval and release of Standard

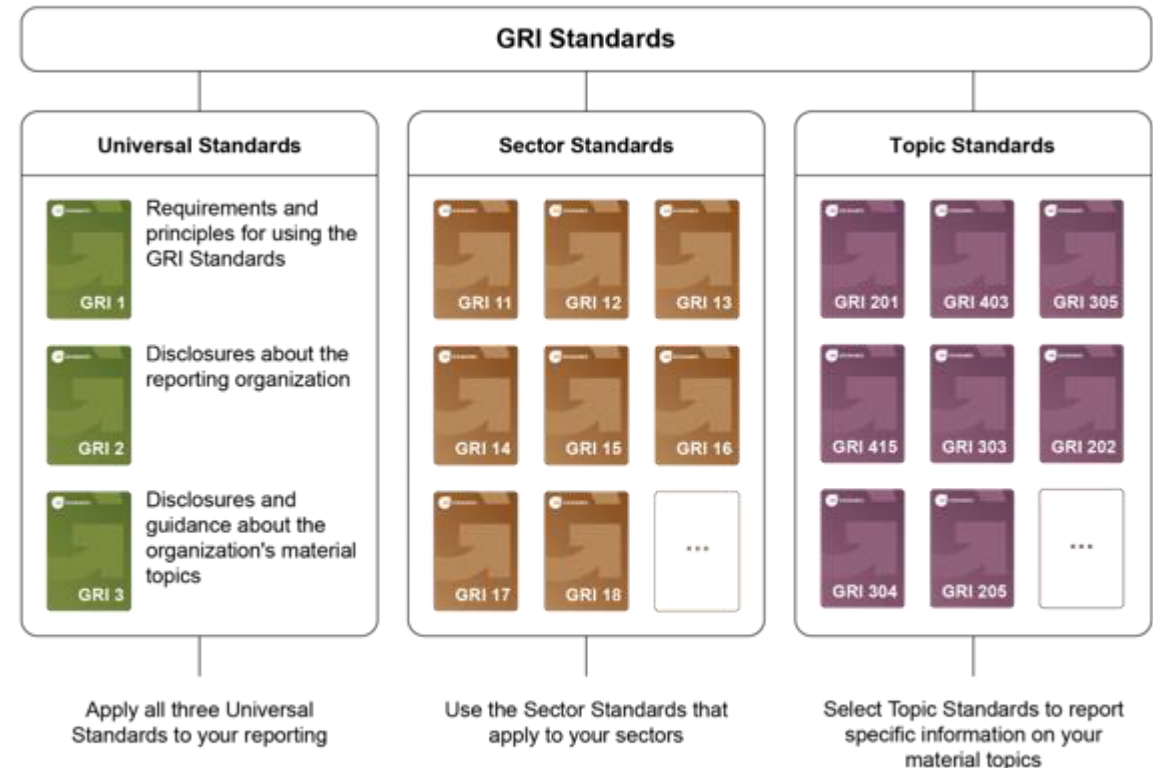
Sector Program- List of sectors* (on going review/revise)



Group 1: Basic materials and needs	Group 2: Industrial	Group 3: Transport, infrastructure and tourism	Group 4: Other services and light manufacturing
Oil and gas	Construction materials	Media and communication	Educational services
Coal	Aerospace and defense	Software	Household durables
Agriculture & fishing	Automotive	Real Estate	Managed health care
Mining	Construction	Transportation infrastructure	Medical equipment and services
Food	Chemicals	Shipping	Retail
Textiles and apparel	Machinery and equipment	Trucking	Security services and correctional facilities
Banking	Pharmaceuticals	Airlines	Restaurants
Insurance	Electronics	Trading, distribution and logistics	Commercial services
Asset management		Packaging	Non-profit organizations
Utilities			
Renewable energy			
Forestry			
Metal processing			

The GRI Standards

- The GRI Standards are a **modular system** comprising three series of standards: the revised **Universal Standards**, the new **Sector Standards**, and the adapted **Topic Standards**
- The new **Sector Standards** increase the quality, completeness, and consistency of reporting by organizations within sectors
- There are now **31 Topic Standards**. An organization selects the Topic Standards that correspond to the **material topics** it has determined for reporting.
- The updated GRI Standards are made **freely available** to any organization. Currently available in English, translations will be available over the course of the year



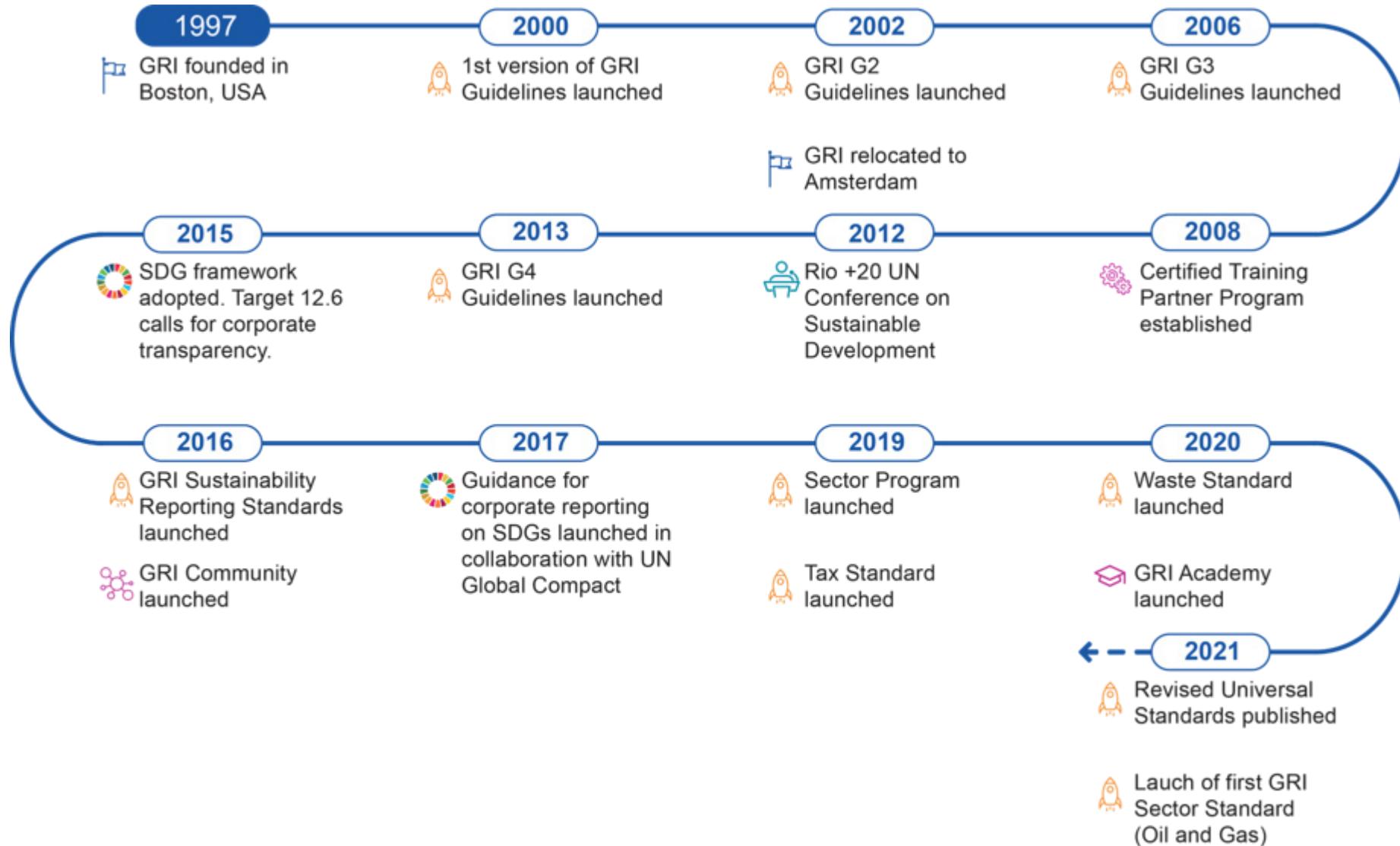
Q&A



Appendix

About GRI

More than two decades of setting the standards



Our approach



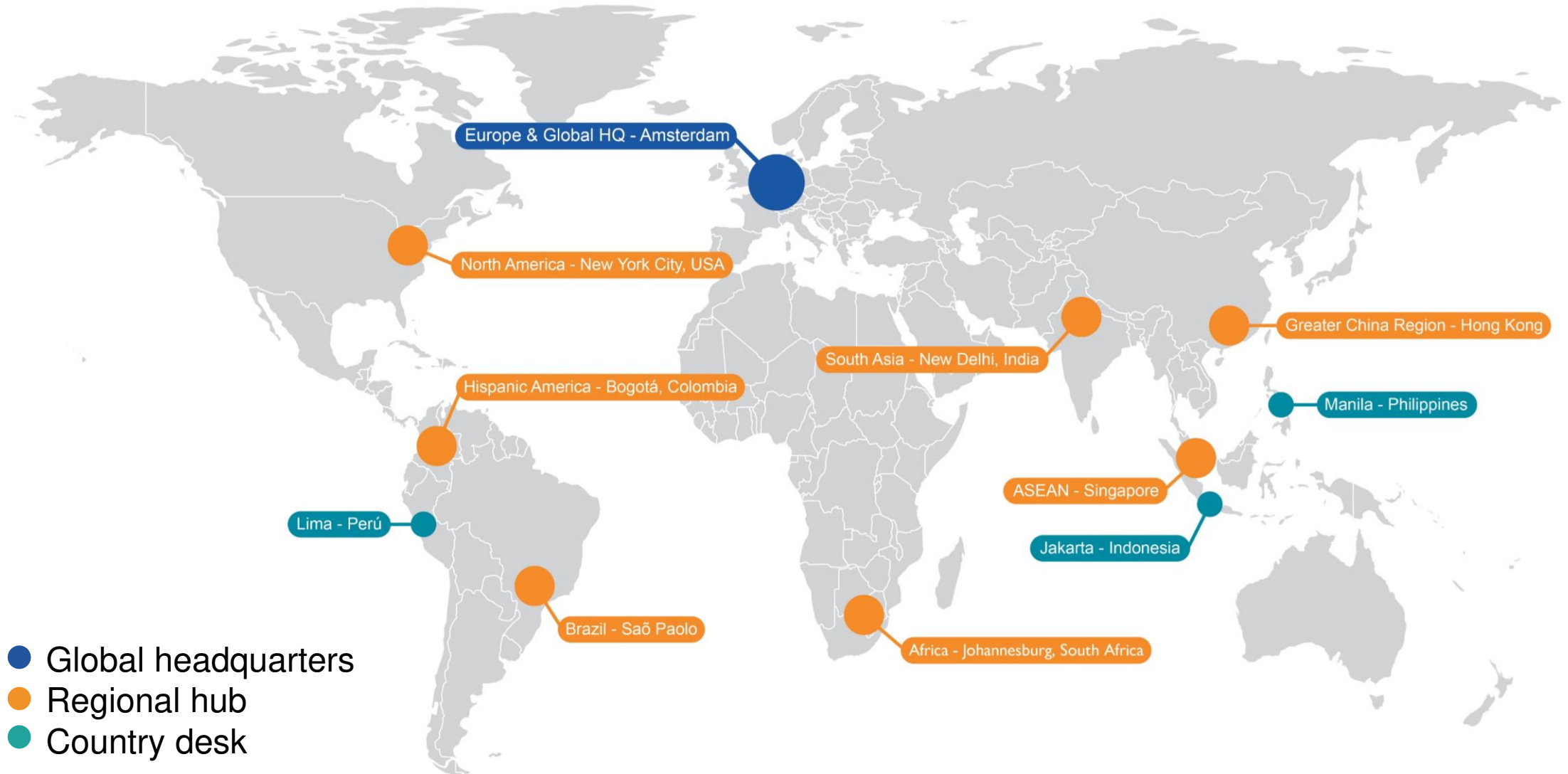
The GRI Standards represent **global best practice** for reporting sustainability performance – enhancing the **comparability and quality** of information.

We operate through a robust **multi-stakeholder** approach, ensuring participation and **expertise** of diverse stakeholders in the development of the **GRI Standards**.



Where we are

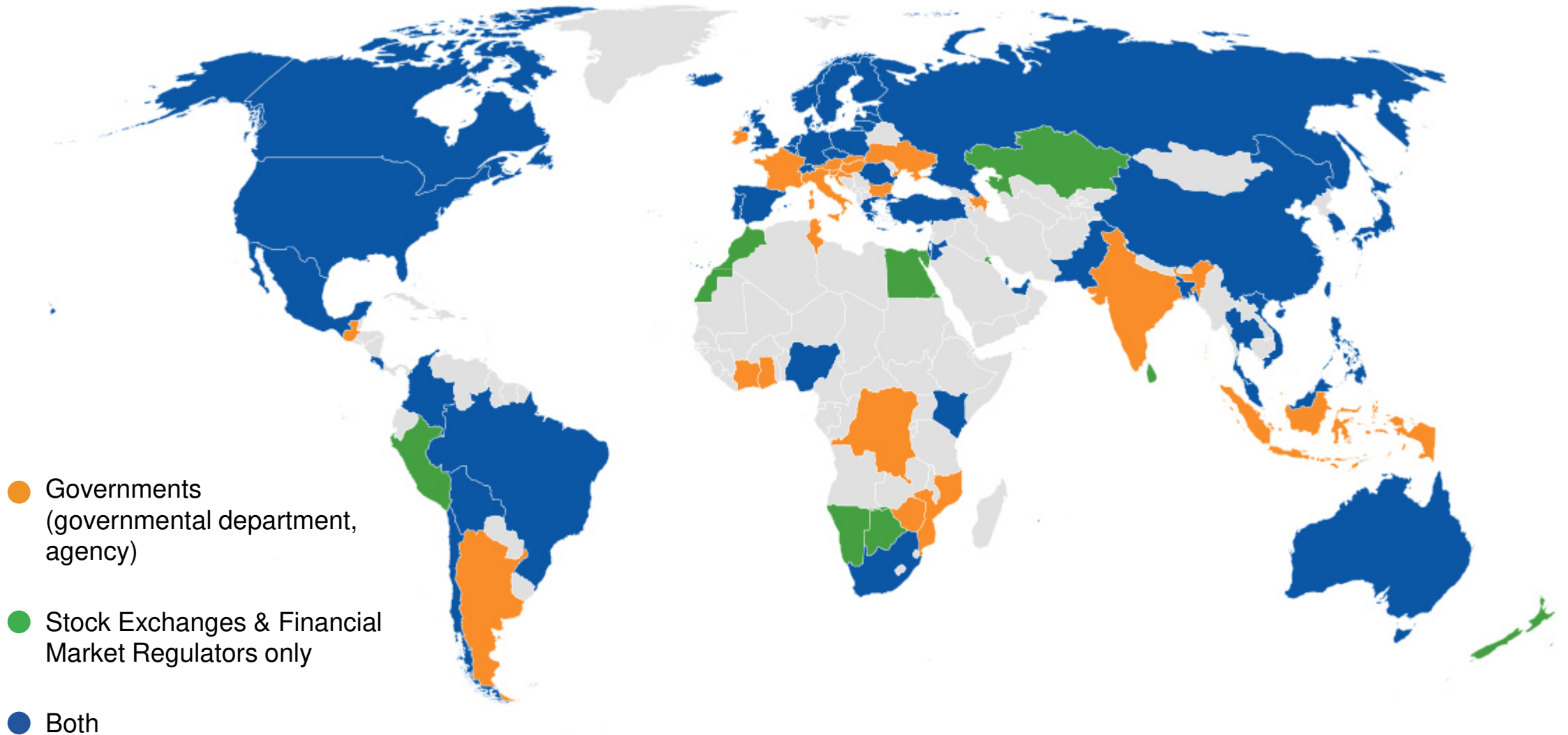
Our secretariat is based in Amsterdam, with seven regional hubs providing a presence around the world



GRI influencing global policies



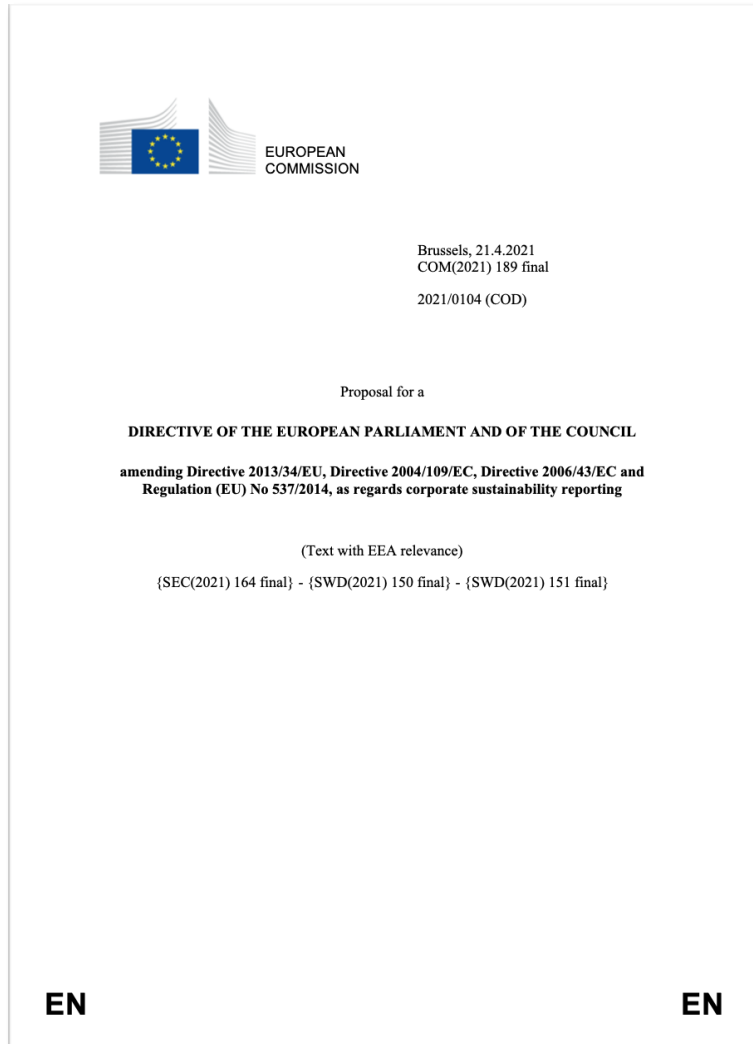
More than 160 policies in over 60 countries and regions reference or require GRI for reporting



Corporate Sustainability Reporting Directive – draft



Released by EU Commission: 21 April 2021



Differences with the existing NFRD:

- Renamed to Corporate Sustainability Directive
- Mandates sustainability reporting based on European standards, firmly embedding the concept of double materiality
- Specifies in more detail the information that undertakings should report;
- Extends the scope of the reporting requirements all large undertakings (250+ employees) and all listed companies (with the exception of listed micro-undertakings)
 - 3 years grace period for listed SME's
- Requires assurance of sustainability information;
- Ensures all information is published as part of the undertaking's management report and that it is disclosed in a digital, machine-readable format.

GRI named 'co-constructor' of EU sustainability reporting standards



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[SUSTAINABILITY REPORTING STANDARDS](#)



08/07/2021 - EFRAG & GRI LANDMARK STATEMENT OF COOPERATION

Working towards international sustainability reporting convergence, EFRAG Project Task Force on European sustainability reporting standards (PTF-ESRS) and GRI sign landmark Statement of Cooperation. Read the detailed press release [here](#).

As from its inception in September 2020, the EFRAG Project Task Force working on EU sustainability reporting standards (former PTF-NFRS now PTF-ESRS) established fruitful working relationships with European and international standard setters and initiatives fostering the progress of sustainability reporting.

Building on the European and international momentum creating a positive environment for a game-changing move in the crucial domain of sustainability reporting, the EFRAG PTF-ESRS is keen to establish enhanced working relationships with relevant international initiatives under a partnering and co-construction spirit, which is a key dimension of its action plan. Appropriate interactions have been initiated.

Today, the PTF-ESRS is delighted to announce that a first Statement of Cooperation has been signed with GRI. The GRI standards are currently the most commonly used sustainability reporting standards amongst EU companies.

Both organisations will share their wealth of expertise to foster the swift development of European sustainability reporting standards and at the same time the progress of converged standards at international level. The PTF-ESRS is convinced that both organisations will as a consequence progress faster and deeper towards their common and respective goals.

Each organisation will contribute to key technical projects of its counterpart. Both organisations will have proactive observers in their respective technical groups and will promote the development of specific joint projects of common interest.

The PTF-ESRS looks forward to establishing cooperation arrangements with other leading international initiatives, including the IFRS Foundation.

Read the detailed press release [here](#).

Related project: Sustainability reporting standards interim draft

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Become a GRI Partner



1. **GRI Community**: our global network of organizations jointly advancing sustainability reporting

<https://www.globalreporting.org/reporting-support/gri-community/>

2. **Certified Training Partner Program**: for experienced training organizations around the world who want to provide GRI training

<https://www.globalreporting.org/reporting-support/gri-academy/certified-training-partners/>

3. **Certified Software and Tools partner Program**: for IT companies that want to integrate GRI Standards in their software and/or tools

<https://www.globalreporting.org/reporting-support/reporting-tools/certified-software-and-tools/>

4. **Business Leadership Forum**: for organizations that are thought leaders in sustainability reporting and want to leverage corporate collaboration to advance sustainability reporting

<https://www.globalreporting.org/reporting-support/leadership-programs/leadership-forums/>

THANK YOU



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