

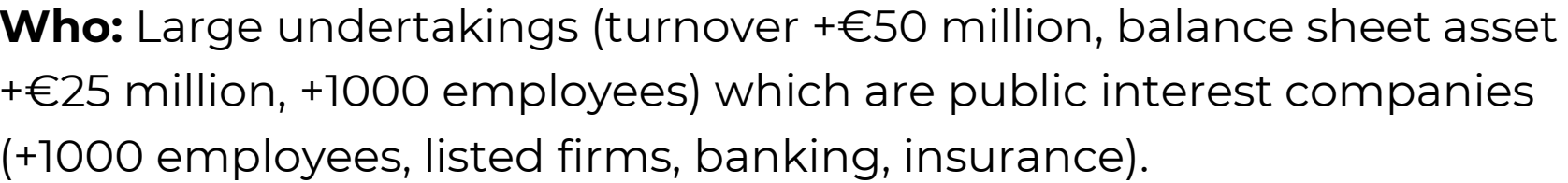


A Synopsis of Regulatory Carbon Reporting in the UK and EU



CO₂Pro

The Compliant Pathway
to Sustainable IT



What: Environmental, Social and Governance reporting under articles 19a and 29a of the Accounting Directive and as per the European Sustainability Reporting Standards (ESRS).

Why: 'The Green Deal' is the new growth strategy of the EU. It aims to transform the EU into a modern, resource-efficient and competitive economy with no net greenhouse gas emissions (GHG) by 2050.

Risk: Do you understand the impact of CSRD on your organisation?

A close-up photograph of several European Union flags waving in front of a building with large windows. The flags are blue with twelve yellow stars arranged in a circle. The building's facade features large, light-colored columns and windows. The scene is brightly lit, suggesting daytime.

EU Commission Publishes CSRD FAQ to Help Companies Implement New Sustainability Reporting Rules

August 7, 2024

The European Commission announced today the publication of a new set of frequently asked questions (FAQs), aimed at supporting companies and other stakeholders such as auditors in implementing sustainability reporting requirements of the EU's Corporate Sustainability Reporting Directive (CSRD), with the first reports set to begin next year, based on the 2024 financial year.

CSRD – MINIMUM REQUIREMENTS



Clause 33 of CSRD: Information should be based on conclusive scientific evidence where appropriate.

Information should also be harmonised, comparable and based on uniform indicators where appropriate, while allowing for reporting that is specific to individual undertakings and does not endanger the commercial position of the undertaking.

Reported sustainability information should also take into account short, medium, and long-term time horizons and contain information about the undertaking's whole value chain, including its own operations, its products and services, its business relationships and its supply chain, as appropriate.

ESRS standards under Paras 65, 68, 69, 71: State 'reasonable effort' to gather best data from supply chain. Reasonable efforts include size and resources of reporting entity, technical readiness to collect data, availability of tools to access data and share value-chain information.

Clause 43 of CSRD: EU standards should take account of any sustainability reporting standards developed under the auspices of International Financial Reporting Standards Foundation. To avoid unnecessary regulatory fragmentation that could have negative consequences for undertakings operating globally, EU sustainability reporting standards should contribute to the process of convergence of sustainability reporting standards at global level, by supporting the work of the International Sustainability Standards Board (ISSB) and the GHG protocol (GHGP).

Clause 47 of CSRD: GHGP Scope 3 must be adopted where a material portion of the estate CO₂e is in play.

The GHG Protocol: Scope 1, 2 and 3 requirements in the GHG Protocol are expressed by CO₂e equivalent reporting.

30-70% of CO₂e emissions are in Scope 3

30-70% of Scope 3 CO₂e emissions are in S3 Cat 1 - manufactured goods (predominantly IT)

Measuring Scope 3 IT emissions could account for 30-50% of the entire enterprise CO₂e emissions with consequential reductions achieved through prudent management.

Therefore: By the end of their reporting period in 2025, organisations should be providing accurate baseline data for their Scope 1 and 2, and Scope 3 emissions for IT at the asset level in FY 2024.

SECR – STREAMLINED ENERGY AND CARBON REPORTING



Who: All quoted companies of any size and ‘large’ unquoted companies and LLPs. Unquoted company or LLP must report under SECR in a year in which it satisfies two or more of the following requirements (turnover +£36 million, balance sheet +£18 million, + 250 employees)

When: These requirements are based on section 465 and 466 of the Companies Act 2006.

What: The Environmental Reporting Guidelines (ERG), updated on 29th March 2019, help businesses across the UK comply with the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013 and the Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Currently GHG S1 and S2 are mandatory but not S3.

Why: UK Government Department for Energy Security and Net Zero launched a consultation on 14th December 2023. They are currently reviewing the thresholds that apply across non-financial reporting obligations as part of its non-financial reporting review. In light of the adoption of ISSB, S3 reporting is likely to be adopted as standard in 2024.

Therefore: It would be prudent to consider S3 as part of your current reporting given commitments in law for reductions of 81% by 2035 and Net Zero by 2050.

Spotlight on the UK				
<div>Listed companies and large private companies are required to apply climate-related disclosure rules that are aligned with the TCFD recommendations and are therefore well positioned to apply ISSB Standards.</div> <div>UK authorities have set out a pathway towards endorsement and implementation of disclosure requirements for listed companies and large UK-registered companies referencing ISSB Standards, after they have been endorsed in the UK.</div>				
TCFD recommendations				ISSB Standards
2019	2020	2021	2022	2023–2024
In its 2019 Green Finance Strategy , the UK government created a taskforce to explore the most effective approach to implementing the TCFD recommendations.	The UK government announced its intention to make TCFD-aligned disclosures mandatory by 2025, with a significant portion of mandatory requirements in place by 2023. The UK Taskforce’s Interim Report and accompanying roadmap set out a pathway to achieving that goal. The UK Financial Conduct Authority (FCA) introduced new rules for companies with a UK premium listing to disclose climate-related risks and opportunities in line with the TCFD recommendations on a ‘comply or explain’ basis.	The FCA extended the application of climate-related disclosure requirements aligned with the TCFD recommendations from FY 2022 to: (a) issuers of standard listed shares and global depositary receipts representing equity shares; and (b) asset managers with >£50 billion in assets under management (AUM) and asset owners with assets of >£25 billion. Organisations with AUM or assets below these thresholds but greater than £5 billion are required to provide the disclosures from FY 2023.	The UK Parliament requires listed companies, large private companies and limited liability partnerships with more than 500 employees and revenue greater than £500 million to provide TCFD-aligned, climate-related financial disclosures from FY 2022. •	The UK government created a mechanism to assess, adopt and endorse ISSB Standards for use in the UK by the first quarter of 2025. In November 2023 the FCA updated its rules for disclosures by asset managers to their clients and consumers, which build on the TCFD recommendations, to reference ISSB Standards. In May 2024 the FCA stated that it will update its climate-related disclosure rules to reflect ISSB Standards, after they have been endorsed in the UK.

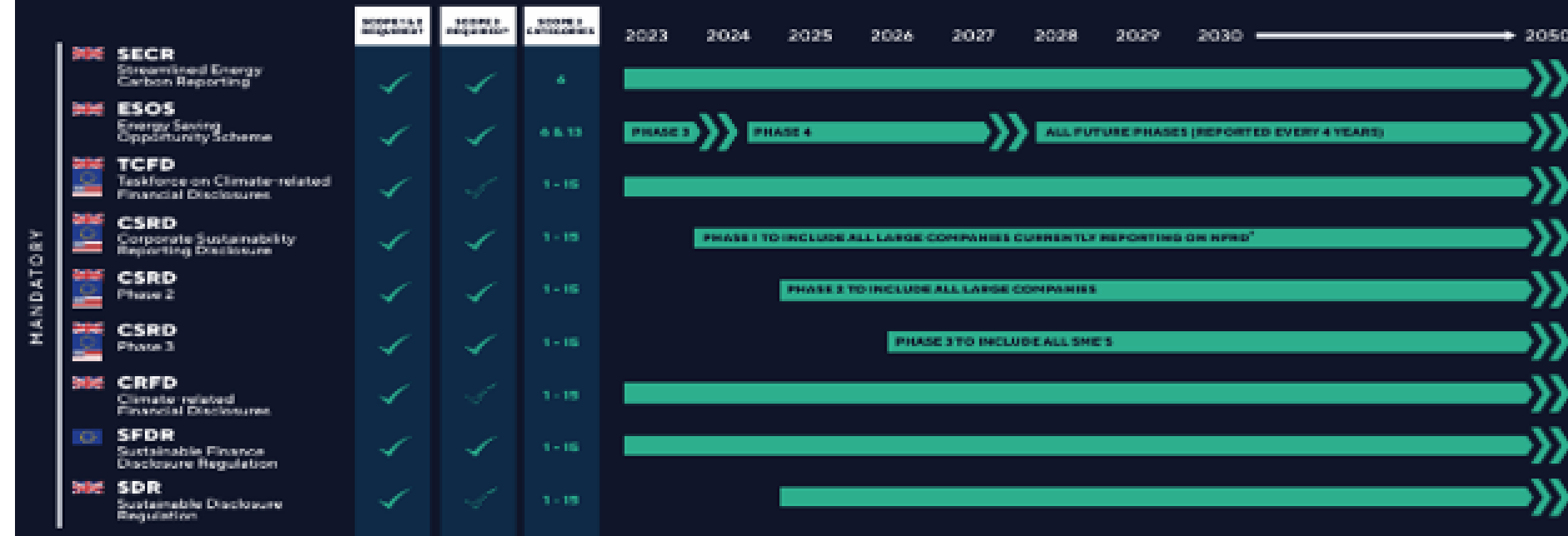
ALIGNING GLOBAL STANDARDS

Both SECR in the UK and CSRD in EU look towards the FSB's TCFD for guidance and consistency. The TCFD in turn has settled on the IFRS ISSB for climate-related reporting standards and the ISSB rely on the GHG Protocol for what is reported on in a consistent fashion.



Vector Abstract Background

Scope 3: The Present and Future of Carbon Reporting



*Non-Financial Reporting Directive

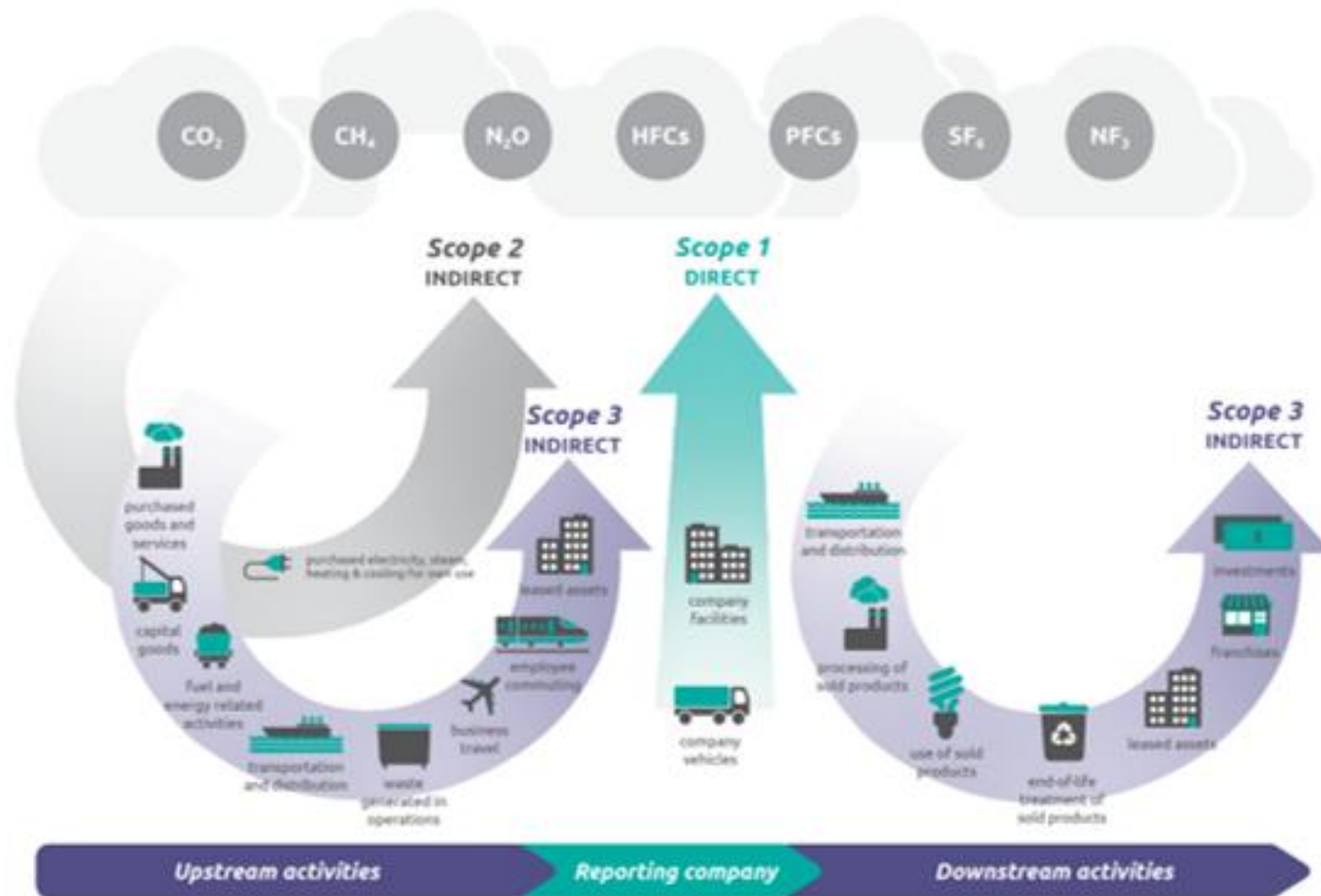
KEY			
REPORTING UK	✓	MANDATORY	MANDATORY REPORTING
REPORTING EU	✓	RECOMMENDED	RECOMMENDED REPORTING
REPORTING US	✓		

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THE GHG PROTOCOL



GHG DATA QUALITY

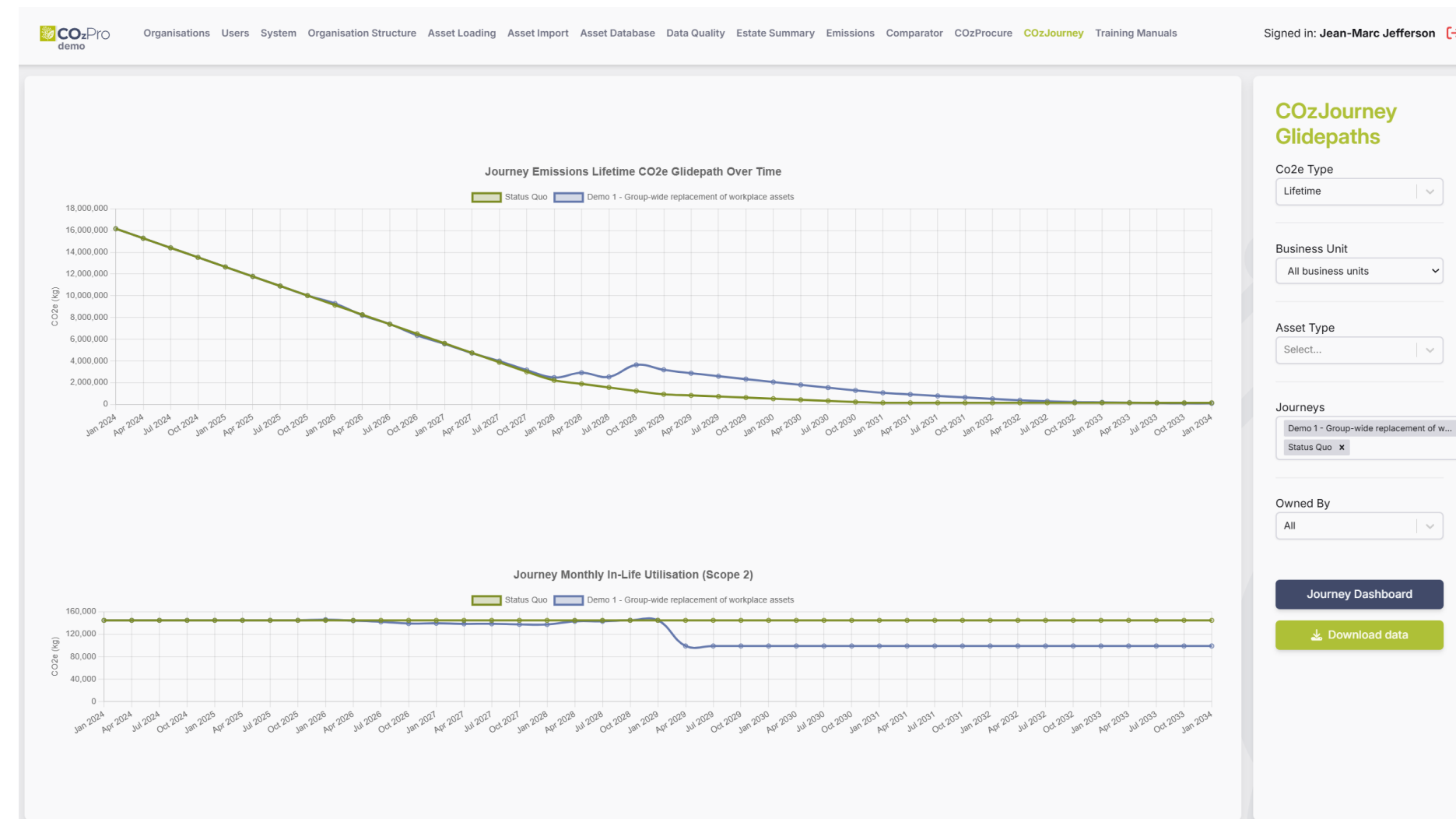
Product life cycle stages			
Calculation Method	All other upstream emissions from production of product	Supplier's scope 1 & 2 emissions	Notes on data used
Supplier-specific method	Supplier-specific data	Supplier-specific data	All data is specific to the supplier's product
Hybrid method	Supplier-specific data or average data, or a combination of both	Supplier-specific data	Scope 1 & 2 data specific to supplier's product, all other upstream emissions either supplier specific or average
Average-data method	Average data	Average data	All emissions are based on secondary process data
Spend-based method	Average data	Average data	All emissions are based on secondary EEIO data

SECR – STREAMLINED ENERGY AND CARBON REPORTING



Supply asset level measurable, meaningful, auditable metrics that drive environmental reporting today.
Model and forecast the journey towards NetZero by selecting optimal asset models, retention and release options.
Align IT to Corporate Sustainability carbon reduction goals in real-time.

Installing the COzPro Solution enables effortless compliance to global sustainability directives in the required timeframe.



Real-time, accurate, auditable carbon data collection using manufacturer EPD and COzPro default carbon impact profiles.

Advanced analytics and visualisation for sustainable procurement, operational efficiencies, and disposal strategies.

Effortlessly track and report the carbon reduction journey over time.

COzPro Modelling builds advance carbon reduction strategies using:

- **Asset Retention Period** to optimise the life of an asset
- **Carbon Write-Down** to depreciate individual asset-type carbon emissions accurately
- **COz Compare** provides the greenest asset comparison on the market for informed purchasing decisions
- **Journeys** model and visualise the glide path to Net Zero by aggregating IT asset carbon reduction initiatives over time



COzPro

The Compliant Pathway
to Sustainable IT

For more information on Global Carbon Reporting and how COzPro keeps you compliant, contact **Jean-Marc Jefferson**

"Make the impossible possible, the possible easy and the easy elegant"

Moshe Feldenkrais

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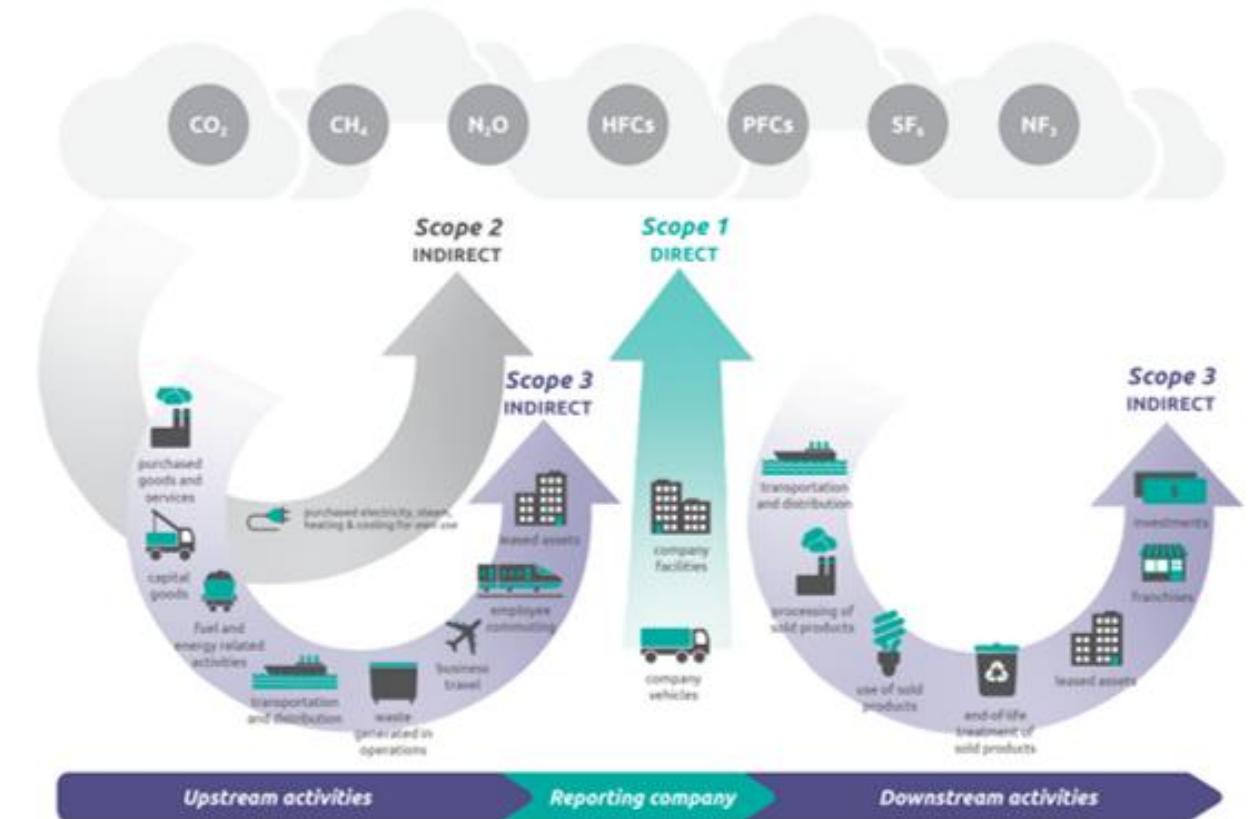
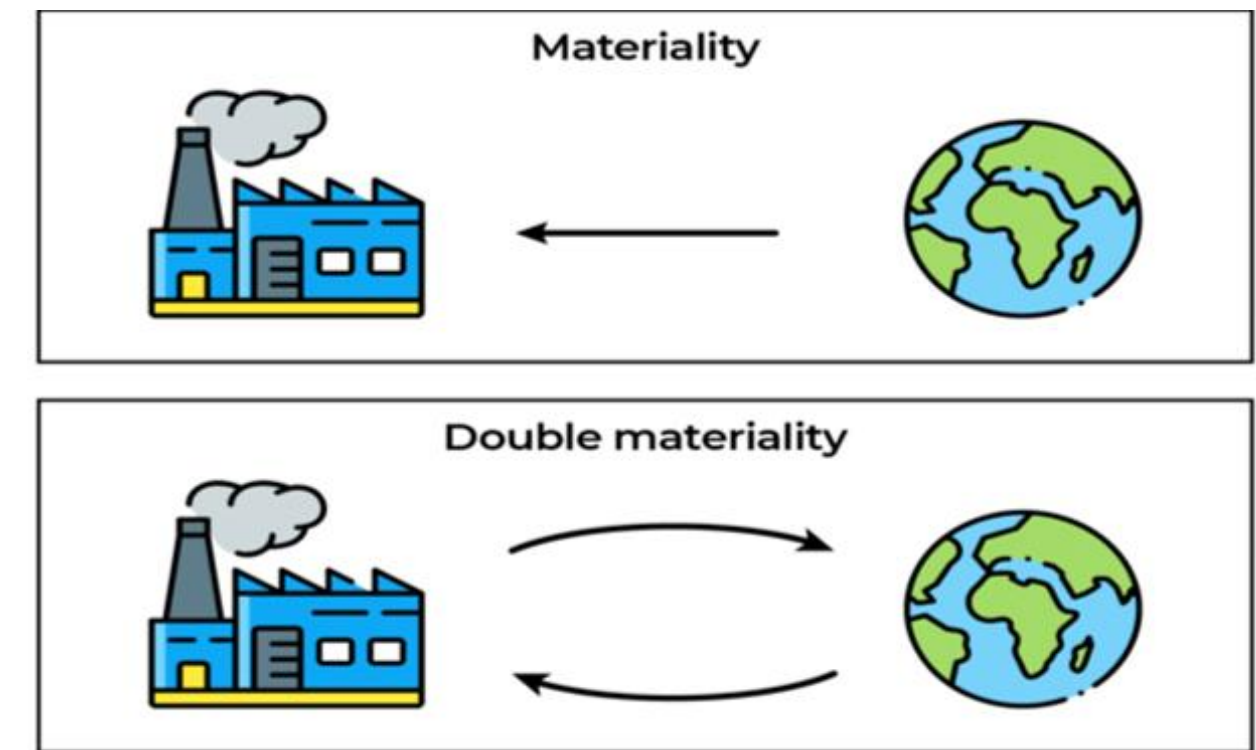
Supplementary Reference Material

CLIMATE-RELATED IMPACT REPORTING

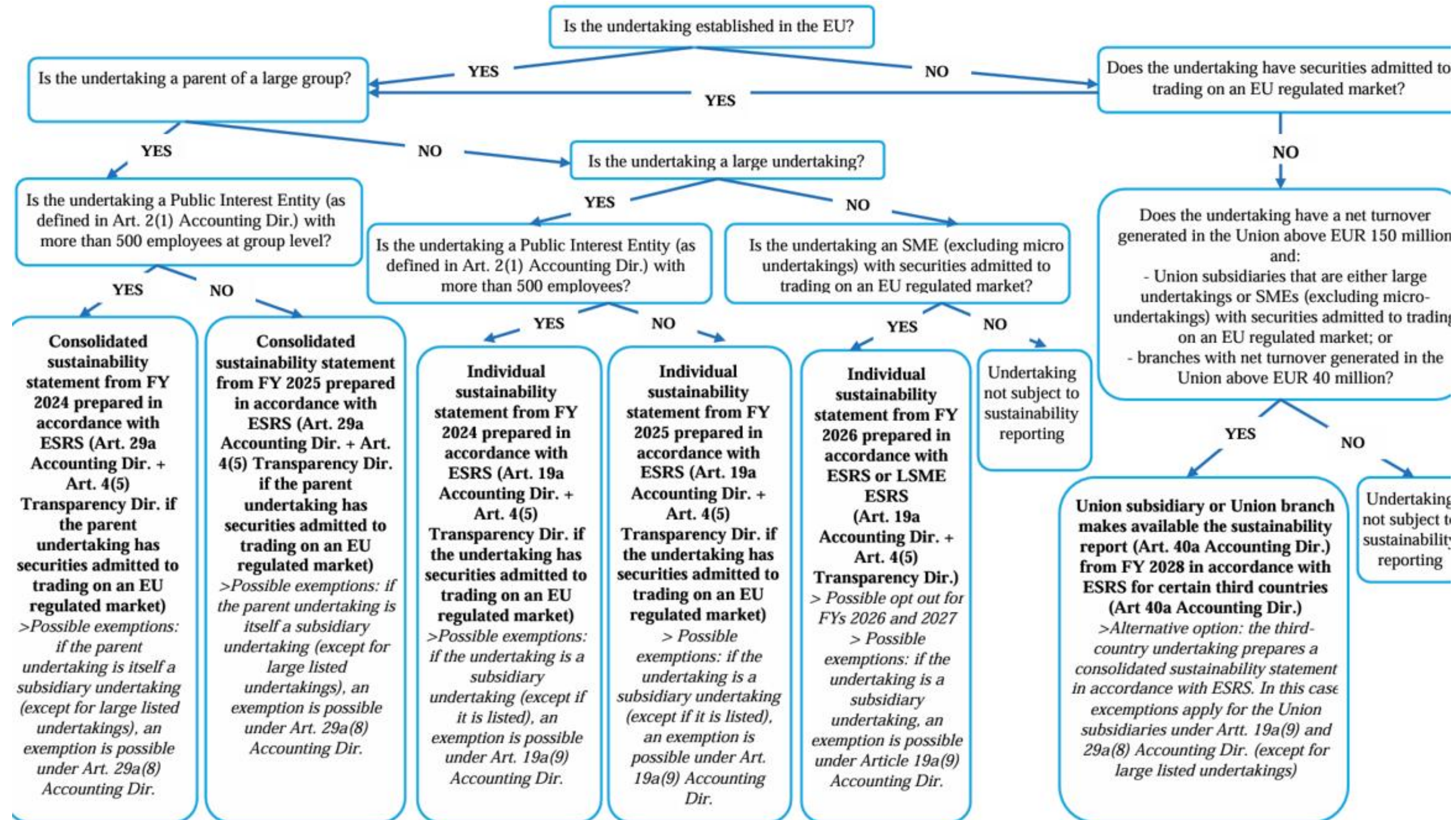
No matter where on the spectrum any one institution sits, they have all voiced one similar complaint: there is a lack of granular, high-quality, useful data. Without that data, financial actors often feel unable to make climate-related decisions, even if they wanted to. This has prompted both debates and actions by financial supervisors and regulators in terms of adapting disclosure requirements to plug the data gap. The Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) is the most global and prominent example.

More recently, the International Financial Reporting Standards Foundation (IFRS), which sets accounting standards for approximately 120 nations, announced it was throwing its weight behind the task of bringing sustainability into financial disclosure. In this context of sustainability-related financial disclosure, a concept emerged: double materiality. Measuring double materiality has led to a global reporting standard for measuring and reporting on not only the environmental impact of the planet on an organisation but also the environmental impact of the organisation on the planet.

Latterly, and after COP26 all of the above has led to the International Financial Reporting Standard (IFRS) being tasked with owning and developing the global standard for Sustainability Reporting as enshrined in the International Sustainability Standards Board (ISSB) climate standard, IFRS S2. The ISSB uses the GHG Protocol (GHGP) as the basis for measuring GHG and CO2e emissions.



CSRD – WHO?



- **Micro-undertakings (Art. 3(1) Accounting Directive)** = undertakings which on their balance sheet dates do not exceed the limits of at least two of the three following criteria: (a) balance sheet total: EUR 450 000; (b) net turnover: EUR 900 000; (c) average number of employees during the financial year: 10.
- **SMEs (Art. 3(1), (2) and (3) Accounting Directive)** = undertakings which on their balance sheet dates do not exceed the limits of at least two of the three following criteria: (a) balance sheet total: EUR 25 000 000; (b) net turnover: EUR 50 000 000; (c) average number of employees during the financial year: 250.
- **Large undertakings (Art. 3(4) Accounting Directive)** = undertakings which on their balance sheet dates exceed at least two of the three following criteria: (a) balance sheet total: EUR 25 000 000; (b) net turnover: EUR 50 000 000; (c) average number of employees during the financial year: 250.
- **Large groups (Art. 3(7) Accounting Directive)** = groups consisting of parent and subsidiary undertakings to be included in a consolidation and which, on a consolidated basis, exceed the limits of at least two of the three following criteria on the balance sheet date of the parent undertaking: (a) balance sheet total: EUR 25 000 000; (b) net turnover: EUR 50 000 000; (c) average number of employees during the financial year: 250.

CSRD – WHEN?

Timeline for the application of sustainability reporting requirements

The table below illustrates the different application dates for the different types of undertakings subject to sustainability reporting.

	Financial year 2024 (reporting in 2025)	Financial year 2025 (reporting in 2026)	Financial year 2026 (reporting in 2027)	Financial year 2027 (reporting in 2028)	Financial year 2028 (reporting in 2029)
Large undertakings which are PIEs (including third-country issuers) > 500 employees on average during the financial year	Individual sustainability statement (ESRS)	Individual sustainability statement (ESRS)	Individual sustainability statement (ESRS)	Individual sustainability statement (ESRS)	Individual sustainability statement (ESRS)
PIEs (including third-country issuers) that are parent undertakings of a large group > 500 employees on average on a consolidated basis during the financial year	Consolidated sustainability statement (ESRS)	Consolidated sustainability statement (ESRS)	Consolidated sustainability statement (ESRS)	Consolidated sustainability statement (ESRS)	Consolidated sustainability statement (ESRS)
Large undertakings (including third-country issuers) that are not “PIEs > 500 employees on average during the financial year”	N/A	Individual sustainability statement (ESRS)	Individual sustainability statement (ESRS)	Individual sustainability statement (ESRS)	Individual sustainability statement (ESRS)
Parent undertakings of a large group (including third-country issuers) that are not “PIEs > 500 employees on average on a consolidated basis during the financial year”	N/A	Consolidated sustainability statement (ESRS)	Consolidated sustainability statement (ESRS)	Consolidated sustainability statement (ESRS)	Consolidated sustainability statement (ESRS)
Listed SMEs, SNCIs, captive (re)insurance undertakings (including third-country issuers)	N/A	N/A	Individual sustainability statement (ESRS or LSME ESRS)*	Individual sustainability statement (ESRS or LSME ESRS)*	Individual sustainability statement (ESRS or LSME ESRS)
CSRD subsidiaries (or, in the absence, EU branches with net turnover in the Union > EUR 40 million) of third-country non-listed undertakings with net turnover in the Union > EUR 150 million	N/A	N/A	N/A	N/A	Sustainability report (ESRS for certain third-country undertakings or ESRS)

* may opt out

GREENHOUSE GAS PROTOCOL – WHAT WE MEASURE FOR IT ASSETS

The key to measuring the impact of IT Assets on an organisation's carbon footprint and therefore initiatives to reduce this is to clearly define the relevant:

- Scope
- Activity Category
- Boundary

An IT asset* is any form of IT hardware that is manufactured, has a carbon footprint and which is usually owned or leased by the reporting entity.

We include the full lifecycle of IT assets for the GHG emissions calculations of the Asset. This includes the Scope 2 emissions (purchased electricity) as per the vendor data as well as all Scope 3 emissions (indirect upstream and downstream) which are manufacturing, transportation and end-of life.

Assets in scope are usually in the following Scope 3 Categories:

- C1. Purchased goods and services, C2.Capital Goods (upstream)
- C10. Processing of sold products, C11.Use of sold products, C12. End of life treatment of sold products (downstream), C13. Leased assets.

So, what we primarily measure is the:

- CO₂e of IT assets through the full asset-lifecycle of manufacturing and distribution in-life use and end-of-life.
- The CO₂e avoided through a hierarchy of outcomes on the return journey for unwanted IT assets
- Reuse where possible, Recycle where necessary, Zero to landfill

