

# GETTING TO NET ZERO

## A Global Review of Corporate Disclosures



# Foreword

As a global systemic risk, climate change has become a focal point for corporate sustainability disclosure. European Financial Reporting Advisory Group (EFRAG), International Sustainability Standards Board (ISSB), and the U.S. Securities and Exchange Commission (SEC) conducted consultations on proposed climate disclosure regulations and standards during 2022. Other initiatives, led by financial institutions and regulators, are also underway to rapidly enhance the usefulness of disclosures on climate-related targets and transition plans. These activities will likely culminate in new requirements being issued in 2023.

IFAC's *State of Play in Reporting and Assurance of Sustainability Information: Update 2019 – 2020* revealed that 92% of companies that disclosed sustainability information include greenhouse gas disclosures.

This new study finds that fewer companies (66%) disclose emissions reduction targets. And 90% of companies with an emissions target provide some information about how they plan to reach their target.

However, the nature and scope of these targets and plans—in terms of emissions covered, timeframes, and use of carbon offsets—vary widely. Additionally, only 24% of companies who report a target and a transition plan also quantify the past or future expenditures associated with implementing transition plan actions.

This lack of consistency and comparability may pose challenges for investors, regulators, and other stakeholders who require decision-useful information.

## Key policy considerations include

- **Consistent Terminology**

Are changes in current terminology and presentation required to enhance investors' understanding of the nature and scope of company-specific targets and disclosures?

- **Scope 3 Emissions**

Should scope 3 emissions be included in reduction targets and transition plans?

- **Standardized Transition Plan Disclosures**

How can transition plan disclosures be standardized for companies and industries at the international level?

- **Transparency of Financial Implications of Decarbonization**

What challenges need to be addressed to encourage companies to enhance the information they provide regarding the cost associated with meeting reduction goals?

The accountancy profession will play an important role in enabling reporting entities to comply with new climate reporting regulations and standards by:

- Enhancing the quality of climate related financial disclosures.
- Assisting with the implementation of robust reporting processes.
  - Incorporate more mature systems and controls.
  - Support the application of new reporting standards.
  - Provide assurance of disclosures, subject to independence rules.
- Ensuring climate disclosure is decision useful for management and boards, investors, and all stakeholders.

The accountancy profession—working within business and professional practice—must do their part to help make climate-related reporting decision-useful.

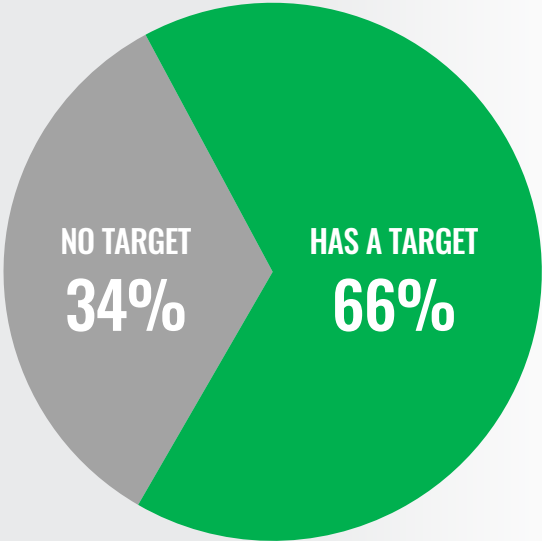
## METHODOLOGY

This report analyzes disclosure trends in emissions reduction targets and transition plans of the 40 largest exchange-listed companies in 15 jurisdictions, for a total of 600 companies. The jurisdictions include G7 countries (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States) and 8 non-G7 countries (Australia, Brazil, China's mainland, India, Indonesia, Mexico, South Africa, and South Korea) for the 2020 reporting year. See [page 22](#) for additional details.

# Most Companies Disclose Emissions Reduction Targets

397 OF 600 COMPANIES REPORTED A TARGET

Emissions targets



Types of targets

35%	Other reduction target	GHG emissions targets that do not reach carbon neutrality or net zero
15%	GHG Neutral in Operations (no interim targets)	GHG emissions targets that reach carbon neutrality or net zero emissions in operations (i.e. Scope 1 + 2)
25%	GHG Neutral in Operations (interim targets)	
5%	GHG Neutral in Value Chain (no interim targets)	GHG emissions targets that reach carbon neutrality or net zero emissions inclusive of an entity's value chain (i.e. Scope 1, 2 + 3)
20%	GHG Neutral in Value Chain (interim targets)	

**NOTE: 92% of Companies report ESG information more generally (see [State of Play Update 2019-2020](#))**

"Interim targets" refers to targets that include short- or medium-term goals while progressing towards either GHG neutral in operations or GHG neutral in value chain.

# Emissions Target Terminology

## Carbon neutral or net zero?

The terms “carbon neutral” and “net zero” are often used interchangeably—leading to inconsistencies in what stakeholders understand about what is or is not included in an entity’s emissions reduction target.

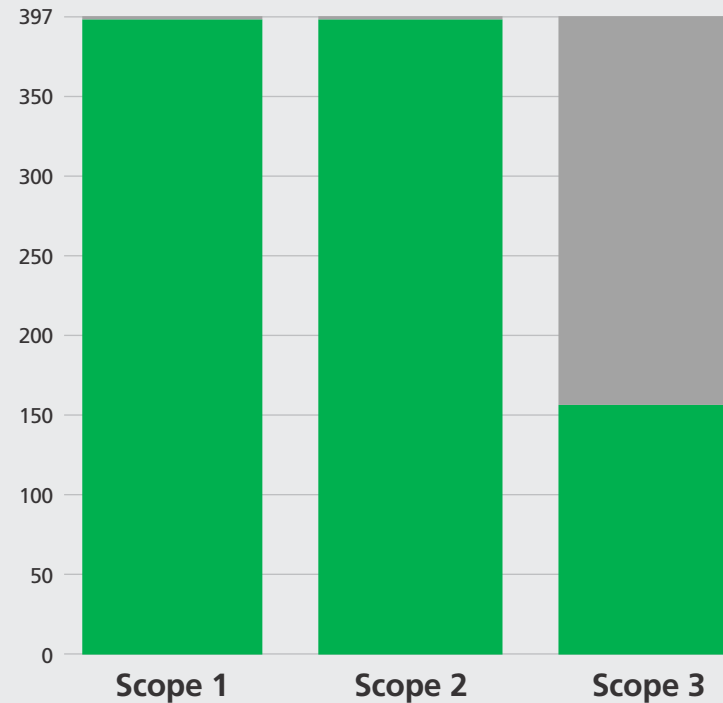
### Example of an emissions target:

“To achieve carbon neutrality (net zero emissions), from the production to the use of the energy products sold to its customers (Scopes 1, 2, 3), together with society.”

Scope 3 disclosures vary. Companies may include all 15 categories from the GHG Protocol standards, only material categories, or only select categories of Scope 3 emissions. A detailed analysis of Scope 3 emissions disclosures was not included in this analysis.

39% of companies incorporated Scope 3 emissions in their reduction targets.

### Scope of targets



■ Includes scope in target    ■ Does not include scope in target

Not all targets that include the term “net zero” include Scope 3 emissions.

### Example of an emissions target:

“We undertook to reduce our CO<sub>2</sub> emissions (Scope 1, 2) to “net zero” by 2050 at the latest and thus make our business operations completely climate neutral.”

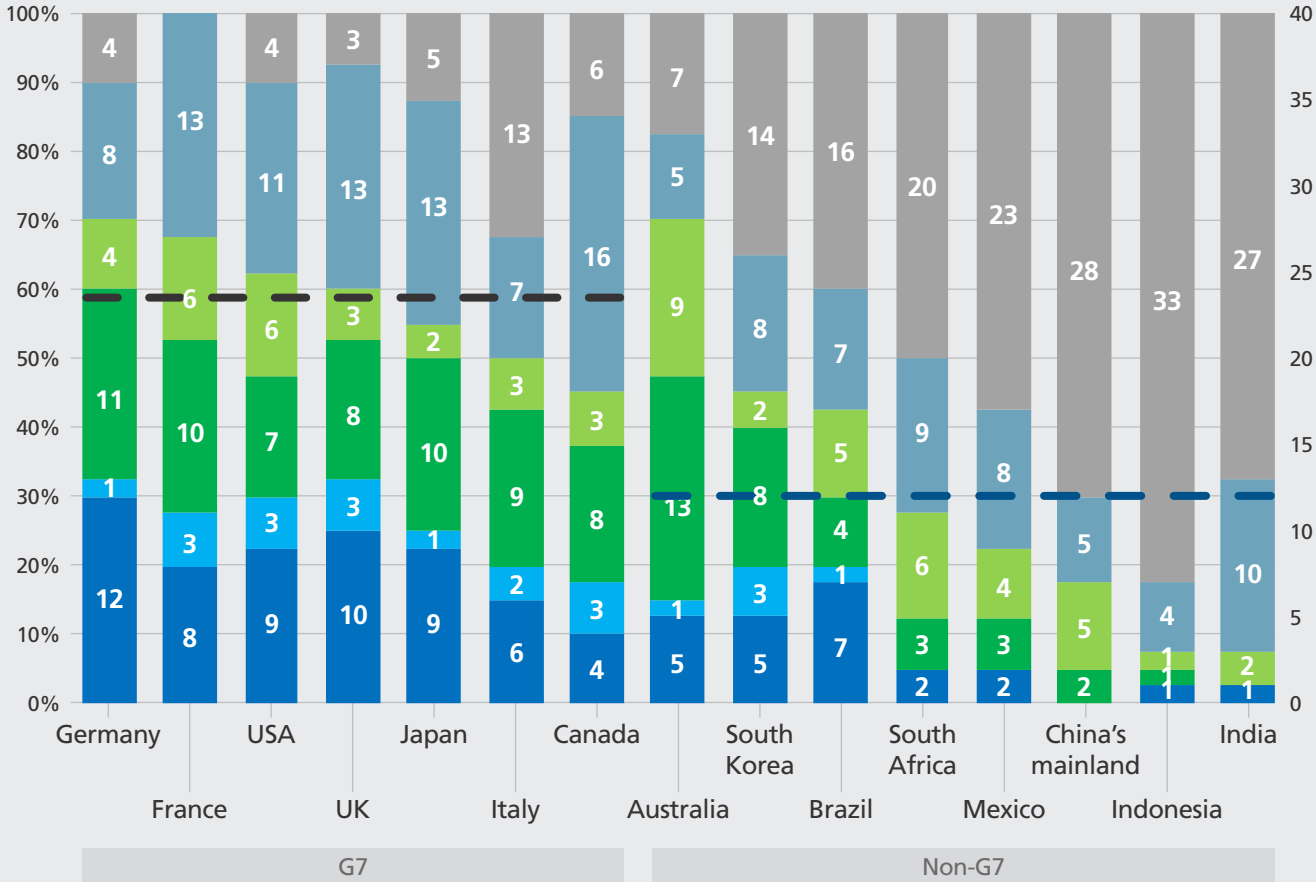


# Emissions Target Disclosures by Jurisdiction

Companies in G7 jurisdictions were more likely to disclose value chain and operationally neutral targets.

Excluding the G7, the percent of companies that disclosed value chain and operationally neutral targets drops from 59% to 30%.

Political and societal mandates, and other market incentives, may play a role in the level of voluntary disclosure observed by the largest companies in the G7 economies.



**59%** average G7 value chain and operationally neutral targets

**30%** average non-G7 value chain and operationally neutral targets

- Value chain (with interim targets)
- Value chain target
- Neutral in operations (with interim targets)
- Neutral in operations targets
- Other reduction targets
- No emissions target

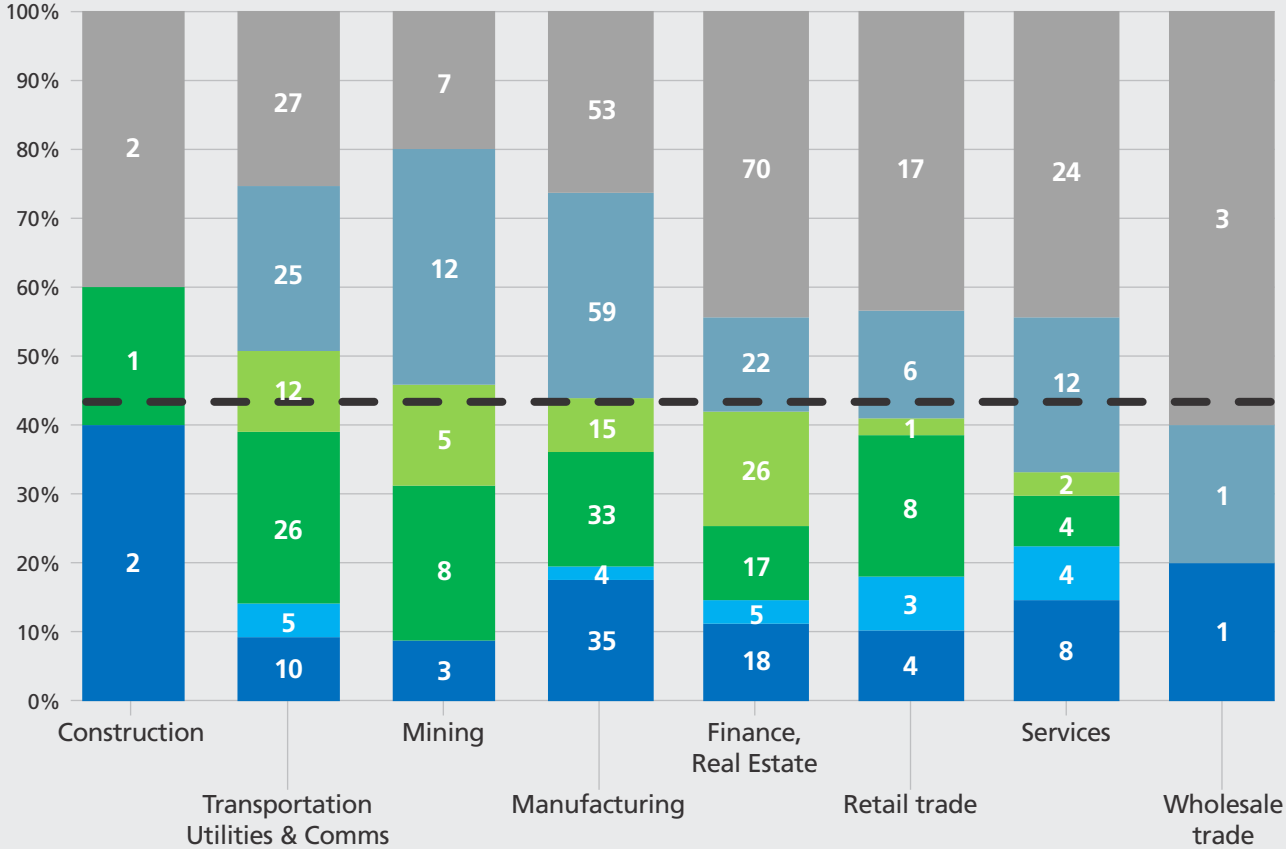
Graph includes 600 companies reviewed in this analysis.

# Emissions Target Disclosures by Industry

Across sectors, an average of 43% of companies reported a value chain or operationally neutral target.

Including emissions reduction targets that specified a percent reduction target and a deadline but were not value chain or neutral in operations, most companies (40% to 80%) disclose an emissions reduction target.

Mining companies lag in value chain commitments but had the highest overall percentage of disclosed emissions targets (i.e., 80%)—this may signal that mining companies are challenged to find a pathway to zero scope 3 emissions.



**43%** average value chain or operationally neutral targets

- Value chain (with interim targets)
- Value chain target
- Neutral in operations (with interim targets)
- Neutral in operations targets
- Other reduction targets
- No emissions target

Graph includes 600 companies reviewed in this analysis.

# Absolute & Intensity Targets

**5% of the 397 companies** with an emissions reduction target clearly provided both “absolute” and “intensity” targets.

Absolute targets require a company to reduce overall emissions (exclusive of offsets) relative to—in percentage terms—a base year.

Intensity targets provide information about an entity’s emissions reductions relative to the reporting entity’s level of economic activity.

The ISSB’s draft standard includes the disclosure of historic emissions on an absolute and intensity basis.

**61% of company** target disclosures were not clearly “absolute” or “intensity” in nature, or the targets were based on emissions disclosures that were net of carbon offsets.

## PREVALENCE OF TARGET TYPES



**19** ABSOLUTE & INTENSITY

**72** ABSOLUTE ONLY

**63** INTENSITY ONLY

**243** UNCLEAR OR NET

NOTE: See the Appendix for the definitions of absolute, intensity, and net emissions reduction targets.



# Emissions Reduction Target Dates

**129 companies set 2050** as the date for achieving their stated value chain or operationally neutral reduction target, consistent with the Paris Agreement.

Other dates are also being used—54% of which are neutral in operations (i.e., excluding Scope 3 emissions).

Targets earlier than 2050 are common in finance or “light industries,” such as technology, cosmetics, pharmaceuticals, or beverages.

Four companies disclosed compliance with China’s 2030 / 2060 Plan. China’s mainland aims to reach peak carbon emissions before 2030 and carbon neutrality before 2060.

**NOTE:** The Paris Agreement is an international treaty that seeks to limit global warming to no more than 2°C from pre-industrialized levels by reducing carbon emissions to net zero levels by 2050.



Graph includes 260 companies that had GHG neutral in value chain or GHG neutral in operations targets.

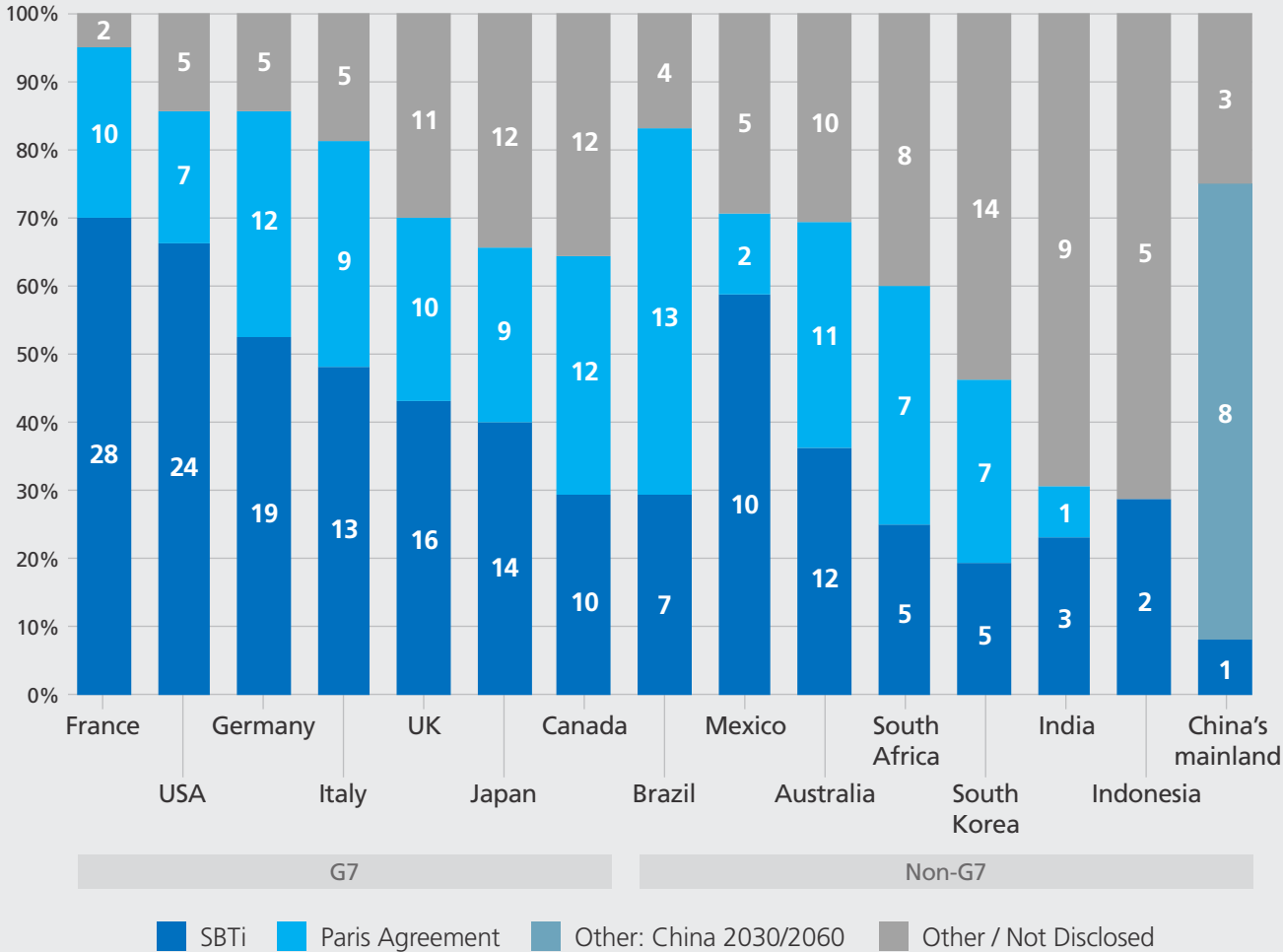


# SBTi and Paris Agreement Aligned Targets

Most companies set their targets in alignment with the Paris Agreement (28%) or SBTi (43%) protocols.

30% of targets, however, do not align—leading to less comparability across companies.

**NOTE:** SBTi is a private sector initiative with criteria for assessing net zero by 2050 (i.e., consistent with Paris Agreement).



### The Science-based Targets Initiative (SBTi) defines net zero as:

- “Reducing scope 1, 2, and 3 emissions to zero or to a residual level that is consistent with reaching net-zero emissions at the global or sector level in eligible 1.5C-aligned pathways
- Neutralizing any residual emissions at the net-zero target year and any GHG emissions released into the atmosphere thereafter.”

Graph includes 397 companies that disclosed an emissions reduction target.

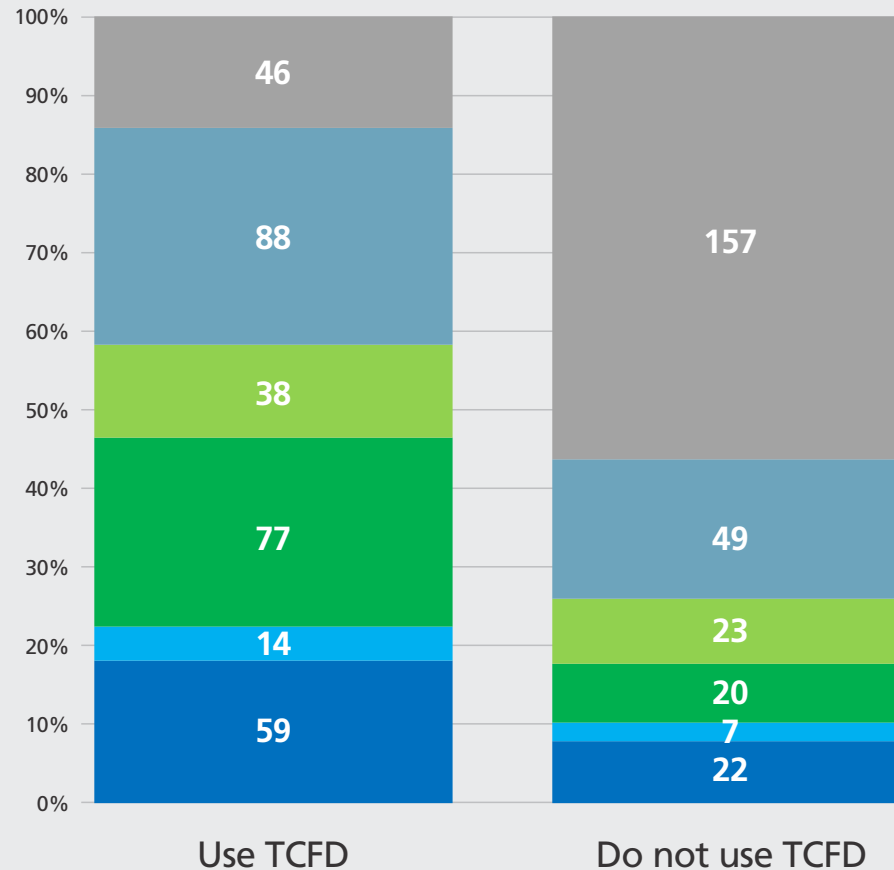
# Using the TCFD Framework

**322 companies** report on climate with reference to the TCFD framework.

- ✓ 86% disclose a target while only 44% of companies that do not use the TCFD framework provide a target.

Market incentives supporting the use of TCFD in this emissions target study are consistent with the growing use of TCFD for overall sustainability-related reporting (see [State of Play Update: 2019-2020](#)).

The ISSB’s proposed climate-related disclosure standard, as well as those of other initiatives (see [Appendix B](#)), also builds upon the recommendations of the TCFD.



- Value chain (with interim targets)
- Value chain target
- Neutral in operations (with interim targets)
- Neutral in operations targets
- Other reduction targets
- No emissions target



Graph includes 600 companies reviewed in this analysis.

# Plans for Achieving Emissions Reductions

**Most companies (90%)** with an emissions target also provide a disclosure about how they plan to reach their target.

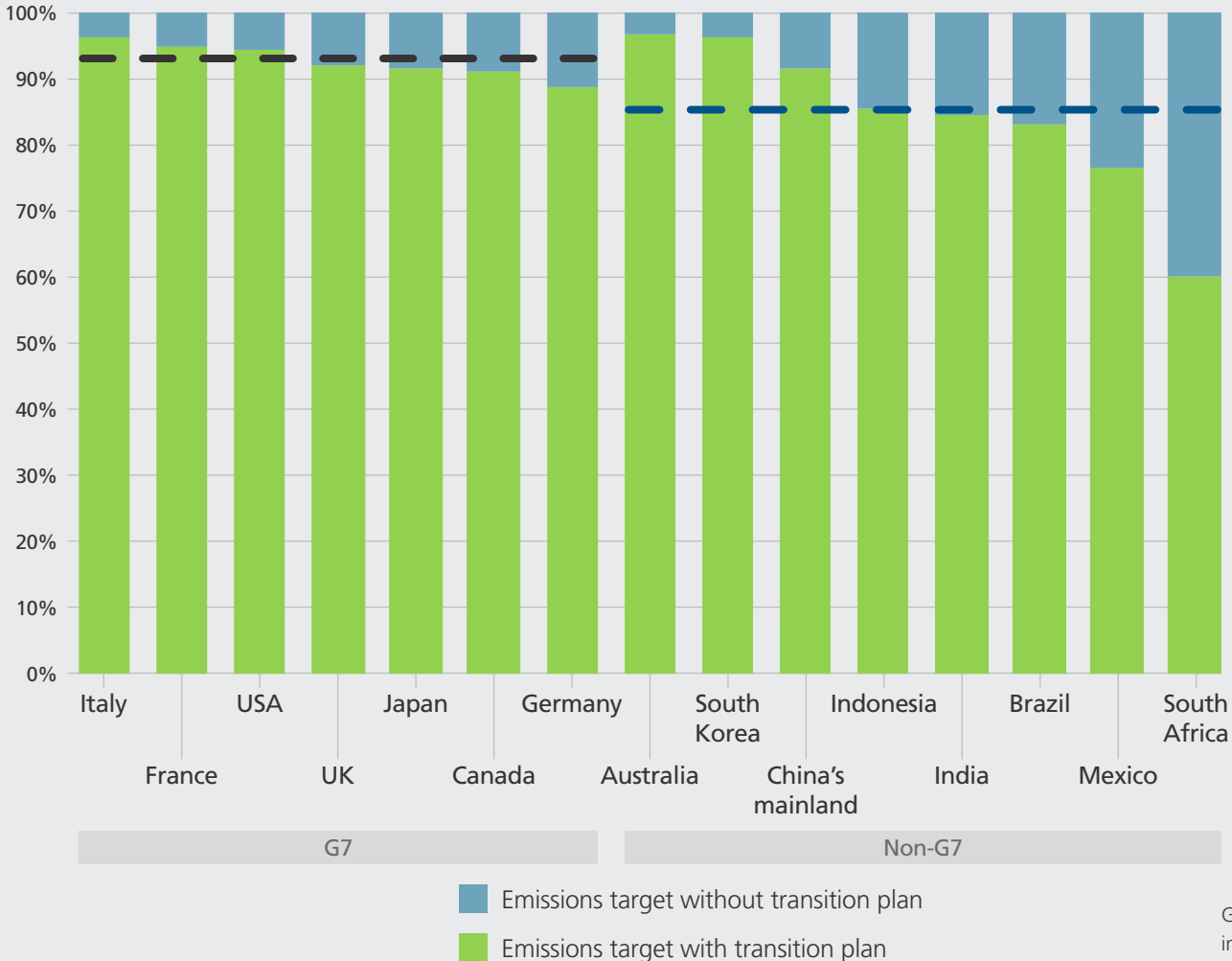
However, companies may state their goal is “net zero by 2050” or “operationally neutral by 2050” without specific detail about how the stated plan will achieve that goal.

**EXAMPLE DISCLOSURE:**

*“In order to achieve carbon neutrality by 2050 at the latest, we are focusing on the intelligent combination of existing reduction measures and research into new technologies.”*

Many transition plans reviewed in this study only include short- or medium-term actions (see [Appendix A](#) for examples).

The climate transition requires a multitude of actions within a company and its supply chain. Some actions, like switching to renewable and cleaner energy alternatives or implementing of emissions monitoring systems, are widely used by all types of companies. Other actions, like optimization of logistics or product design, are more industry specific.



**93%** of G7 with a target have some transition plan

**86%** of non-G7 with a target have some transition plan

Graph includes 397 companies in this analysis.

# What's Included in Transition Plans

Reduction strategies are significantly more prevalent than disclosures of offset strategies.

More than four of five emissions reduction plans include renewable energies or operational efficiencies.

- Renewable energy actions typically refer to onsite renewables, power purchasing agreements, and switching to solar/wind.
- "Efficiencies" encompass a range of activities (e.g., reducing business travel, remote working, paper/material use, insulation, or supplier enablement) that are somewhat industry-dependent.

Significant work continues to ensure climate transition plan disclosures are decision useful. For example, the U.K.'s Financial Conduct Authority (FCA) and Transition Plan Taskforce (TPT) are developing a "gold standard" for high quality transition plan disclosures.

## TOP 5 REDUCTION STRATEGIES



Renewable Energy (82%)



Efficiencies (82%)



Transportation (27%)



Product Design (22%)



New Technologies (10%)

## TOP OFFSET STRATEGIES (23%)



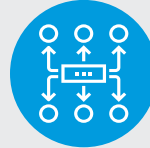
Natural Removal



General Offsets



Carbon Capture

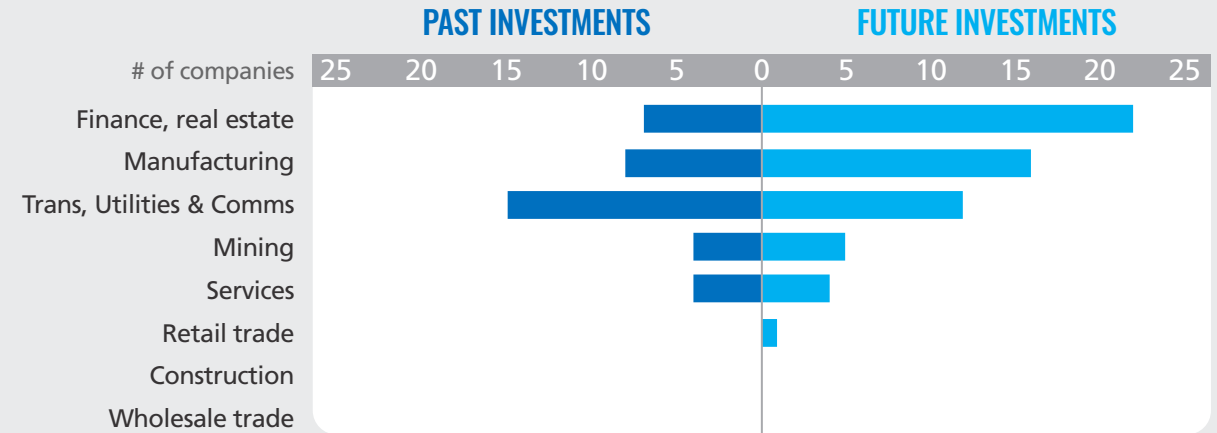
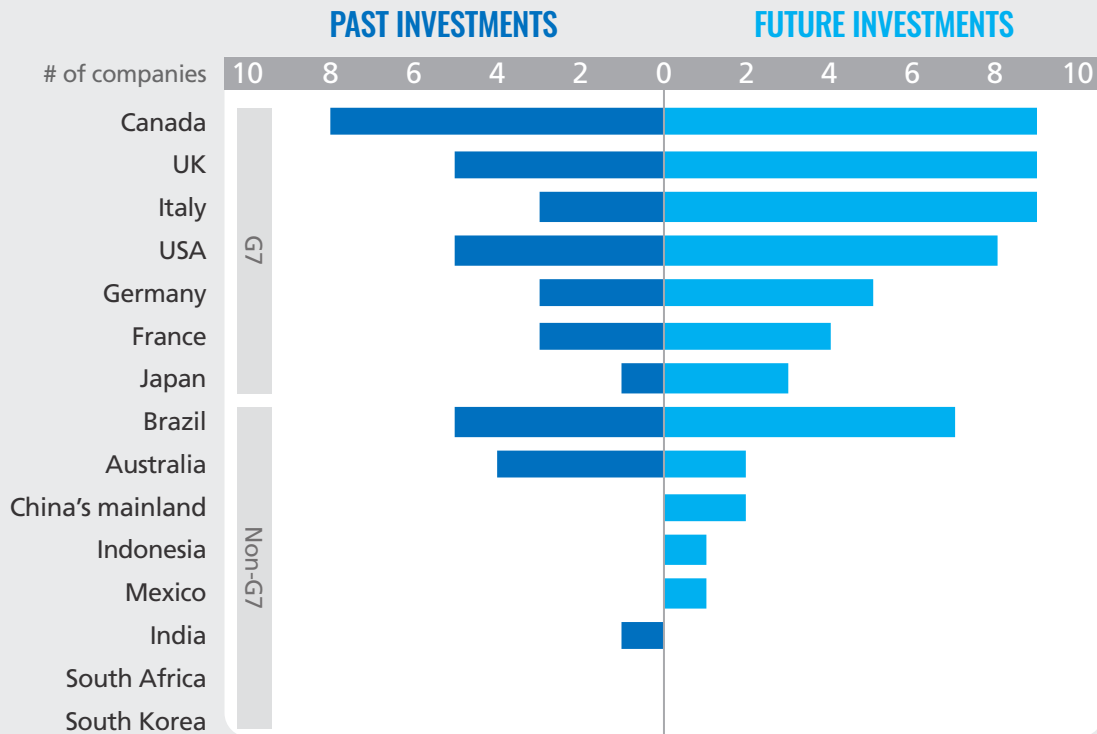


Carbon Credits



# The Cost of Sustainable Transition

**24% – 84 of 357 companies** that have a climate transition plan disclosed past or future expected expenditures to implement plan actions. 14 companies provided both previous and future expenditures. The transition plans observed in this review demonstrate a range of specificity and comprehensiveness. See case studies on [page 14](#).



PAST INVESTMENTS		FUTURE INVESTMENTS	
Efficiency projects	12	Sustainable financing (Lenders)	17
Renewable energy projects	12	Unspecified investment	16
Research & development	4	Renewable energy projects	10
Sustainable financing (Lenders)	3	Efficiency projects	8
Unclear investment	3	Research & development	6

# Financial Impact Illustrations

## EnBW

### Past financial impacts related to climate change:

Full disclosure of investments and expenditures related to climate change is uncommon.

EnBW discloses a comprehensive investment and expense amount related to climate change.

Climate change investments and expenses are aggregated with other environmental expenditures.

### Environmental protection expenditure

#### Environmental protection expenditure<sup>1</sup>

in € million	2020	2019
Investment in environmental protection	622	1,535
Current environmental protection expenses	220	301

<sup>1</sup> Pursuant to the German Environmental Statistics Act (UStatG) and BDEW guidelines on the recognition of investment and ongoing expenditure relating to environmental protection (April 2007).

We report environmental protection expenditure in line with the requirements of the statistical offices and using the guidelines published by our sector association, the BDEW. According to these reporting requirements, investments and current expenditure for the use of renewable energies should be reported in full as expenditure for climate protection. In the 2019 reporting year, investments associated with the construction of the EnBW Hohe See and EnBW Albatros offshore wind farms and the acquisition of the project developer and operator of wind farms and solar parks Valeco, which are included as expenses for climate protection in accordance with the reporting requirements, resulted in an extraordinarily high level of investment. Investment in climate protection decreased from €1,535 million in the previous year to €622 million in 2020. Accordingly, current environmental protection expenses also fell from €301 million in the previous year to €220 million in 2020.

EnBW 2020 Annual Report

## Unilever

### Future financial impacts related to climate change:

Disclosing a scenario analysis can help stakeholders understand the potential impact of climate change on the future financial performance of companies.

Unilever uses the TCFD framework to run 2°C temperature and a 4°C temperature increase scenarios and discloses the expected impact on turnover and expenditures.

Unilever 2020 Annual Report

### Scenario: Potential impact of a 2°C temperature increase by 2100 (transition impacts)

Scenario drivers	Potential financial impact in 2030 if no actions to mitigate risks are taken
Increased costs due to carbon pricing.	Turnover: <b>Not material</b> Expenditure: Estimated increase of <b>€0.8bn</b>
Increased raw material costs from zero net deforestation policies and a shift to sustainable agriculture.	Turnover: <b>Not material</b> Expenditure: Estimated increase of <b>€0.9bn</b>

### Scenario: Potential impact of a 4°C temperature increase by 2100 (physical impacts)

Scenario drivers	Potential financial impact in 2030 if no actions to mitigate risks are taken
Chronic and acute water stress reduces agricultural productivity in some regions, raising prices of raw materials.	Turnover: <b>Not material</b> Expenditure: Estimated increase of <b>€2.7bn</b>
Increased frequency of extreme weather (storms and floods) causes increased incidence of disruption to our manufacturing and distribution networks.	Turnover: Estimated reduction of <b>€0.4bn</b> Expenditure: <b>Not material</b>
Temperature increase and extreme weather events reduce economic activity, GDP growth and hence sales levels fall.	Turnover: Estimated reduction of <b>€2.1bn</b> Expenditure: <b>Not material</b>

# Appendix A: Transition Plan Illustration

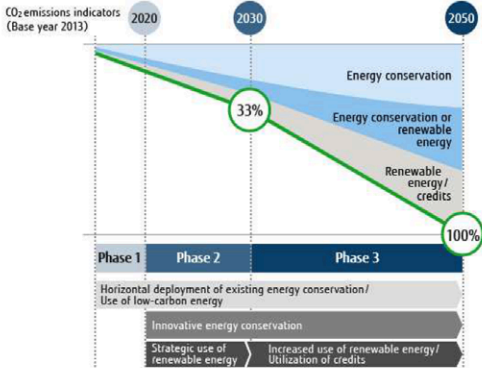
## Fujitsu Group – Setting transition plans

Transition plans are a vital part of achieving emissions reduction targets. Transition plans can usually be divided into three groups: short-term, medium-term, and long-term plans. Short-term plans are actions that companies will take within the next 1-5 years. Many of these actions are already in process. Medium-term plans are actions that companies will take within the next 6-10 years. Many of these actions are in the planning phase. And long-term plans are actions that won't take plan over the next decade. Many of these actions are in the research and development phase.

Fujitsu Group disclosed a net zero emissions goal with interim targets and includes a multi-phase transition plan that considers what is feasible today (short-term), what is expected to be feasible in the next ten years (medium-term), and acknowledges that more must be researched and developed in order to achieve net zero by 2050 (long-term). Long-term plans are the most challenging to develop and are the least commonly disclosed.

### Vision1 Achieving Zero CO<sub>2</sub> Emissions in the Fujitsu Group

The Fujitsu Group established a scenario for reducing CO<sub>2</sub> emissions where it would gradually reduce them to zero in three phases by 2050, with its intention to take the initiative as a global ICT company to strive to create a decarbonized society. This scenario has been established with scenarios recommended by the Science Based Targets (SBT) initiatives. It is also consistent with the 2°C goal (\*1). At present, we are conducting reviews of our actions aimed at meeting a target of 1.5°C, based on the Intergovernmental Panel on Climate Change (IPCC) Special Report on Global Warming of 1.5°C released in October 2018, and changes in certification to the SBT standard of 1.5°C.



The Roadmap to reduce the Fujitsu Group's CO<sub>2</sub> Emissions to Zero by 2050

Fujitsu Group 2020 Annual Report

#### Phase I

In Phase I (until 2020), from the perspective of usability and economic efficiency of the technology, in Japan, we will horizontally deploy energy conservation technologies that already exist, verify new energy conservation technologies that use AI, etc. and move forward with the use of low-carbon energy. Overseas, we will proactively implement renewable energy, focusing on the EU.

#### Phase II

In Phase II (until 2030), the Fujitsu Group will work to establish and spread a transition to AI and ZEB (\*2), etc. to accelerate the reduction of emissions. Further, we will expand strategic implementation of renewable energy, which is expected to be easier to use in Japan as well, with consideration given to local characteristic and economic efficiency.

#### Phase III

In Phase III (2030 and after), we will accelerate implementation of increasingly easy-to-use renewable energy, while supplementing with offsets from carbon credits, with an eye towards deploying and deepening innovative energy conservation technologies and shifting away from carbon. The Fujitsu Group intends to increase the use of renewable energy in the electricity consumed at Fujitsu Group locations to at least 40% by 2030 and to 100% by 2050 with the membership gained in July 2018 to RE100. RE100 is a collaborative initiative led by The Climate Group in partnership with CDP, for companies committed to source 100% of the electricity they use from renewable sources.

\*1 The GHG reduction target, with the Group's carbon credits subtracted, was approved by the SBT initiative.  
\*2 ZEB: Zero Energy Building. A building with significantly reduced yearly energy consumption achieved through conservation of energy in its structure and facilities, and thorough creation of energy by using solar power generation, etc.

# Appendix A: Transition Plan Illustrations (cont.)

## Carrefour – Transportation actions

Many industries are reevaluating the movement of people and products through their value chains.

Carrefour planned actions to reduce emissions by improving their logistics. Transitioning to lower-carbon transportation, like electric vehicle fleets, or eliminating unnecessary travel, are common actions taken by communication & transportation companies, manufacturing companies, and trade companies.

**Outbound transport:** achieving a 20% reduction in transport-related CO2 emissions by 2030 compared to 2019, through optimisation of logistics models and development of alternatives to diesel fuel. Supply chain teams in each country are working with carriers to improve truck loading, optimise travel distances and phase in alternative transport modes consistent with Group policy. In France, Carrefour is modernising its fleet. At end-2020, it had 500 PIEK-certified trucks, which run on biomethane and generate less pollution and noise (under 60dB).

Carrefour's sustainability commitment also extends to its savings schemes. The Carrefour Banque range includes a savings scheme with funds totalling 348.4 million euros at the end of 2019, and a life insurance scheme holding savings deposits of 1,794 million euros at the end of 2019. Of the four unit-linked solutions, BNPP Aqua and PARvest Smart Food provide opportunities to invest in projects in the water management and food sectors.

Carrefour 2020 Annual Report

## Unilever – Product design actions

The materials used in the manufacturing and packaging of products can contribute a significant amount of emissions to a company's total emissions. Transitioning to low-carbon materials and packaging, reducing packaging materials, or using more renewable materials can help reduce a company's total emissions.

Unilever plans to incorporate these strategies in their business. They've also integrated a sustainable mindset in their acquisition strategy by acquiring low-carbon brands.

**Actions we're taking:** We're developing lower carbon footprint products. We've spent years developing concentrated laundry detergents that fit more washes into smaller bottles, reducing packaging, manufacturing and transport emissions. Our Home Care division's Clean Future programme aims to eliminate fossil fuels from cleaning products by 2030. By embedding circular economy principles into both packaging and product formulations, we're shifting from using fossil-fuel derived feedstocks to renewable or recycled sources of carbon for cleaning chemicals. Our Foods & Refreshment brands offer

a range of vegan and vegetarian variants and continue to actively promote vegetarian and vegan recipes (see page 22). A recent FAIRR report identified Unilever as a pioneer in developing alternatives to meat.

In recent years, our M&A strategy has been to acquire new businesses which serve specific consumer segments, such as sustainability-conscious consumers. A number of these,

including Pukka Herbs, Seventh Generation and OLLY Nutrition, are recognised as B Corps – meaning they have met stringent environmental and social criteria as laid out in the B Corp impact assessment. Existing brands such as our T2 premium tea brand have also achieved B Corp certification. Seventh Generation advocates for renewable energy and is taking action to decarbonise its own business and Pukka Herbs has its own science-based zero carbon goal. In 2020, we launched a €1 billion Climate & Nature Fund which will be used over the next ten years by our brands to take meaningful and decisive action on climate change.

Unilever 2020 Annual Report



# Appendix A: Transition Plan Illustrations (cont.)

## Munich RE – Sustainable finance actions

Financial institutions are using sustainable finance, investment, and insurance to promote the transition to net zero by incentivizing the adoption of low GHG business and by divesting from high GHG business.

Munich RE has a phase-out plan for investments in high emissions industries over the next 30 years and a plan to increase financial resources for clean energy over the next 5 years.

Like Munich RE, many banks, insurance companies, and investment firms are reallocating parts of their loan, insurance, and investment portfolios from high emissions industries to low industries to reduce emissions throughout their value chain.



### Transition of investment portfolio to net-zero greenhouse gas emissions in 2050

Today	<b>Assets</b> Financed CO <sub>2</sub> emissions	
	<b>No investment in companies with:</b> >30% revenue thermal coal >10% revenue oil sands	
2025	<b>Total<sup>1</sup></b>	<b>-25% to -29% emissions</b>
	Thermal coal <sup>1</sup> Oil and gas <sup>1</sup>	-35% emissions -25% emissions
2050	<b>Total</b> Thermal coal	<b>Net-zero by 2050</b> Full exit by 2040

#### Next steps until 2025

- Asset class targets**  
We aim to reduce the financed emissions of our listed equities, corporate bond and real estate portfolio by 25-29% (scope 1+2 emissions of investee companies)
- Sector targets**  
We set specific emission reduction targets for listed equities and corporate bond for thermal coal (-35%) and oil & gas (-25%)
- Creating positive impact**  
We will double our renewable portfolio (equity and debt) from €1.6bn so far up to €3bn
- Taking up a dialogue**  
We concentrate on and engage with our large contributors of financed emission within our listed equities and corporate bond portfolio

<sup>1</sup>Based on sub-portfolio of equities listed, corporate bonds, equities and real estate.

# Appendix B: Comparison of Disclosure Proposals to TCFD Framework

	TCFD <sup>1</sup>	Draft ISSB IFRS S2 <sup>2</sup>	Draft ESRS E1 <sup>3</sup>	SEC Climate Proposal <sup>4</sup>
<b>1. Governance</b> Disclose the organization's governance around climate-related risks and opportunities.	Describe the board's oversight of climate-related risks and opportunities.	<ul style="list-style-type: none"> <li>The identity of the body or individual within a body responsible for the oversight of climate-related risks and opportunities.</li> <li>How that body's responsibilities for climate-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies.</li> <li>How the body ensures that the appropriate skills and competencies are available to oversee strategies designed to respond to climate-related risks and opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>Impacts considered in addition to Risks &amp; Opportunities.</li> <li>Remuneration directly tied to GHG emissions reductions targets in ESRS E1 AG9 and classified under Governance in ESRS rather than Metrics in TCFD.</li> <li>Internal carbon pricing schemes classified under Metrics in TCFD versus under governance in ESRS E1.</li> </ul>	<ul style="list-style-type: none"> <li>Whether any member of the board has expertise in climate-related risks (to be described if so).</li> <li>If members of management or board committees are responsible for assessing and managing climate-related risks, the climate-related expertise of the relevant individuals.</li> </ul>
	Describe management's role in assessing and managing climate-related risks and opportunities.	<ul style="list-style-type: none"> <li>Information about whether dedicated controls and procedures are applied to management of climate-related risks and opportunities and, if so, how they are integrated with other internal functions.</li> </ul>	N/A	N/A

<sup>1</sup> [TCFD](#)

<sup>2</sup> [ISSB IFRS S2](#)

<sup>3</sup> [ESRS E1](#)

<sup>4</sup> [SEC Climate Proposal](#)

# Appendix B: Comparison of Disclosure Proposals to TCFD Framework

	TCFD	Draft ISSB IFRS S2	Draft ESRS E1	SEC Climate Proposal
<b>2. Strategy</b> Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	<ul style="list-style-type: none"> <li>• Different approach to transition plans.</li> <li>• Explicit requirements around disclosure of emissions reduction targets and use of carbon offsets</li> </ul>	<ul style="list-style-type: none"> <li>• Impacts on the environment and society taken into consideration on top of risks &amp; opportunities.</li> </ul>	N/A
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	<ul style="list-style-type: none"> <li>• How the entity is directly responding to risks and opportunities, including changes to its business model, strategy, resource allocation, production processes, products, workforce.</li> <li>• How it is indirectly responding to risks and opportunities, including working with customers and suppliers.</li> <li>• Expected changes in financial position over time, including investment plans and sources of funding.</li> <li>• Expected changes in financial performance over time (revenue and costs).</li> </ul>	<ul style="list-style-type: none"> <li>• Concept of locked-in emissions and related stranded assets more developed.</li> <li>• Effects on current financial statements classified under Connectivity Requirements (reconciliation between sustainability and financial statements).</li> <li>• Effects on climate-related risks on future financial position and business activities separated between physical and transition risks.</li> <li>• Future financial effects of climate-related risks covering gross risks instead of net risks (before mitigation and adaptation policies, targets and actions).</li> <li>• Potentially liabilities relating to EU ETS.</li> <li>• Taxonomy-alignment ratios and consistency.</li> </ul>	<ul style="list-style-type: none"> <li>• Requirement to disclose transition plan if the entity has adopted one as part of its climate-related risk management strategy.</li> </ul>
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<ul style="list-style-type: none"> <li>• Significant areas of uncertainty for strategy resilience.</li> <li>• An entity's capacity to adjust and adapt its strategy over time.</li> <li>• Details on how any resilience analysis or assessment has been conducted.</li> </ul>	<ul style="list-style-type: none"> <li>• Clearer reference to alignment with limiting global warming to 1.5°C (i.e., transition plan).</li> <li>• Concept of policies more developed in ESRS to address both strategy and risk management processes.</li> </ul>	<ul style="list-style-type: none"> <li>• Only required for companies that use scenario analysis (applies to companies that are required to do so by the rules of another jurisdiction or for voluntary TCFD alignment).</li> </ul>

# Appendix B: Comparison of Disclosure Proposals to TCFD Framework

	TCFD	Draft ISSB IFRS S2	Draft ESRS E1	SEC Climate Proposal
<b>3. Risk Management</b> Disclose how the organization identifies, assesses, and manages climate-related risks.	Describe the organization's processes for identifying and assessing climate-related risks.	<ul style="list-style-type: none"> <li>Inclusion of processes used to identify and prioritize opportunities.</li> <li>The input parameters it uses to identify risks (for example, data sources, the scope of operations covered and the detail used in assumptions).</li> <li>Whether it has changed the processes used compared to the prior reporting period.</li> </ul>	<ul style="list-style-type: none"> <li>Impacts taken into consideration on top of risks and opportunities.</li> <li>More detailed application guidance for physical and transition risks identification and assessment.</li> <li>The concept of due diligence process is further elaborated on in ESRS1.</li> </ul>	N/A
	Describe the organization's processes for managing climate-related risks.	N/A	<ul style="list-style-type: none"> <li>Concept of policies more developed in ESRS to address both strategy and risk management processes.</li> </ul>	N/A
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	N/A	N/A	N/A

# Appendix B: Comparison of Disclosure Proposals to TCFD Framework

	TCFD	Draft ISSB IFRS S2	Draft ESRS E1	SEC Climate Proposal
<b>4. Metrics and Targets</b> Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	<ul style="list-style-type: none"> <li>Requires disclosure of industry-based metrics.</li> </ul>	N/A	<ul style="list-style-type: none"> <li>Disclosure of climate-related opportunities are voluntary.</li> </ul>
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	<ul style="list-style-type: none"> <li>For Scope 1 and Scope 2, a separate disclosure of emissions for (1) the consolidated accounting group, and for (2) associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group.</li> <li>Scope 3 emissions disclosure is required.</li> </ul>	<ul style="list-style-type: none"> <li>Energy consumption and mix and energy intensity per revenue required.</li> <li>More details on GHG emissions (share of Scope 1 emissions under ETS, Scope 2 emissions in market-based and location-based, calculation and presentation requirements on Scope 3, distinction between removals, offsets and avoided emissions).</li> </ul>	<ul style="list-style-type: none"> <li>Scope 3 emissions are required if material or if an issuer has set an emissions target which includes Scope 3.</li> <li>Exclude offsets when disclosing GHG emissions.</li> </ul>
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	<ul style="list-style-type: none"> <li>How target compares with those created in the latest international agreement on climate change and whether it has been validated by a third-party.</li> <li>Whether the target was derived using a sectoral decarbonization approach.</li> </ul>	<ul style="list-style-type: none"> <li>More details on potential financial effects and opportunities (stranded assets, assets at physical risks, ETS liabilities, business activities at risks, market size for low carbon solutions).</li> <li>Turnover, CapEx, OpEx deriving from the EU Taxonomy regulation.</li> <li>Specific target on GHG emissions reduction and remuneration tied to this target.</li> <li>Distinction of three levels of targets: general climate-related targets, GHG emissions reduction targets, and net zero targets and other neutrality claims.</li> <li>Scope of the target specified.</li> <li>Target values aligned with 2030 and 2050 and preferably set over five years rolling periods.</li> <li>Target presented by decarbonization levers.</li> <li>Use of carbon offsets excluded from GHG emissions reduction targets (only included in net zero targets under specific conditions).</li> <li>Pathways to net zero presentation.</li> </ul>	<ul style="list-style-type: none"> <li>Requires organizations to include disclosure of specific climate-related metrics (such as financial impacts of severe weather events which have occurred and the impact of efforts to reduce emissions or mitigate exposure to transition risks) in notes to their audited financial statements (subject to the one percent materiality threshold).</li> <li>GHG intensity is required.</li> <li>Requires the scope of GHG emissions to align with operational boundaries included in its consolidated financial statements.</li> <li>Requires limited attestation of Scope 1 and Scope 2 emissions (phased to reasonable assurance over time).</li> </ul>

# Methodology

This study reviewed the largest companies (by market capitalization) in each jurisdiction as of approximately March 22, 2021, and attributed to jurisdictions based on the location of the company's headquarters. The largest 40 companies were reviewed in 15 jurisdictions. This population is a subset of the State of Play 2019-2020 Update population.

Americas	Europe, Middle East, and Africa (EMEA)	Asia-Pacific
<ul style="list-style-type: none"> <li>• Brazil</li> <li>• Canada</li> <li>• Mexico</li> <li>• United States of America</li> </ul>	<ul style="list-style-type: none"> <li>• France</li> <li>• Germany</li> <li>• Italy</li> <li>• South Africa</li> <li>• United Kingdom</li> </ul>	<ul style="list-style-type: none"> <li>• Australia</li> <li>• China's mainland</li> <li>• India</li> <li>• Indonesia</li> <li>• Japan</li> <li>• South Korea</li> </ul>

## DATA COLLECTION METHODOLOGY

Emissions reduction targets and transition plans were collected as of fiscal year 2020. Emissions reduction targets and transition plans were usually located in one of six places:

1. **Sustainability Report**
2. **Annual Report**
3. **Integrated Report**
4. **Company Website**
5. **TCFD Website**
6. **Other climate report**



Emissions reduction targets and transition plans were not always located together. All locations were reviewed for each company to ensure all targets or transition plans were observed. For targets and transition plans that were located on a website, date of publication was used to ensure targets and transition plans related to fiscal year 2020 or earlier. For Hong Kong Exchange (HKEx) listed companies, the exchange website was used to collect reports if a report could not be found on a company's website. This only impacted companies located in China's mainland.

# Definitions

**Carbon neutral:** The reduction or offset of carbon emissions to zero or near zero levels.

**China 2030 / 2060:** The Chinese governmental plan of reaching “peak” carbon emissions by 2030 and becoming carbon neutral by 2060.

**EFRAG:** The European Financial Reporting Advisory Group is responsible for setting financial reporting standards in the European Union.

**ESG:** Environmental, social, and governance topics which form the basis of sustainability disclosure.

**ESRS:** European Sustainable Reporting Standards are a set of sustainability disclosure standards established by EFRAG.

**G7:** An informal group of seven advanced economies: Canada, France, Germany, Italy, Japan, the United Kingdom (UK), and the United States of America (USA).

**GHG:** Greenhouse gases refer to the seven greenhouse gases identified by the Kyoto Protocol – Carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>), and Nitrogen trifluoride (NF<sub>3</sub>).

**GHG Protocol:** A group that establishes a framework for measuring and managing greenhouse gas emissions from operations, value chains, and mitigation actions.

**ISSB:** The International Sustainability Standards Board (ISSB), under the governance of the IFRS Foundation, is a standard-setting body responsible for setting globally-applicable IFRS Sustainability Disclosure Standards.

**Net-zero:** The reduction or offset of all greenhouse gases (GHG) to zero or near zero levels.

**Paris Agreement:** An international treaty that seeks to limit temperature rise to less than 2°C above pre-industrial levels by reducing greenhouse gas emissions to net zero levels by 2050.

**SBTi:** The Science Based Targets Initiative is an organization that verifies emissions targets and transition plans are in line with the Paris Agreement’s 1.5°C reduction pathway.

**Scope 1:** Direct emissions from an entity’s own operations.

**Scope 2:** Indirect emissions from an entity’s own operations through the use of electricity.

**Scope 3:** 15 categories of indirect emissions from an entity’s value chain.

- |  |  |
|--|--|
| 1. Extraction and production of purchased materials and fuels                                    | 9. Purchase of electricity that is sold to an end user                             |
| 2. Transportation of purchased materials or goods  | 10. Generation of electricity that is consumed in a T&D system                     |
| 3. Transportation of purchased fuels   | 11. Leased assets, franchises, and outsourced activities                           |
| 4. Employee business travel  | 12. Use of sold products and services  |
| 5. Employees commuting to and from work  | 13. Disposal of waste generated in operations                                      |
| 6. Transportation of sold products   | 14. Disposal of waste generated in the production of purchased materials and fuels |
| 7. Transportation of waste   | 15. Disposal of sold products at the end of their life                             |
| 8. Extraction, production, and transportation of fuels consumed in the generation of electricity |  |

**SEC:** The Securities and Exchange Commissions is the U.S. securities regulator.

**TCFD:** The Task Force on Climate-Related Financial Disclosures is the Financial Stability Board group responsible for establishing a framework for disclosing climate change information.

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