



BAS
Belgian Awards For
Sustainability Reports



*Workshop 2 BAS 2024-2025 –
Climate change – ESRS E1 best practices*



De in deze presentatie opgenomen informatie en ingenomen standpunten zijn voor rekening van de sprekers en geven niet noodzakelijk het standpunt van het IBR weer.

Les informations contenues dans cette présentation et les opinions exprimées au cours de cette présentation sont celles des orateurs et ne reflètent pas nécessairement l'opinion de l'IRE.



PRESENTERS



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Everaerts

EY



Arnaud
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EY



Audrey
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Benchmark : double materiality analysis

Overview of the material sustainability matters Detail by ESRS

► Breakdown by ESRS (average number of material ESRS subtopic per ESRS):

The details by ESRS subtopic are presented in the following pages

ESRS	Total subtopics	Material Subtopics	% material subtopics
ESRS E1 - Climate change	3	3*	93%*
ESRS E2 - Pollution	7	4	52%
ESRS E3 - Water and marine resources	2	1	44%
ESRS E4 - Biodiversity and ecosystems	4	2	60%
ESRS E5 - Circular economy	3	2	73%
ESRS S1 - Own workforce	3	2*	58%*
ESRS S2 - Workers in the value chain	3	2	56%
ESRS S3 - Affected communities	3	1	45%
ESRS S4 - Consumers and end-users	3	2	67%
ESRS G1 - Business conduct	6	4*	59%*
TOTAL	37	23	61%

* 100% of the companies in the benchmark considered at least one subtopic as material

Overview of the material sustainability matters Detail by ESRS sub-topic on Environment

ESRS : ENVIRONMENT		
	Sustainability Matters	% Matériel
ESRS E1	Climate change adaptation	93% ●
	Climate change mitigation	100% ●
	Energy	85% ●
ESRS E2	Microplastics	41% ●
	Pollution of air	56% ●
	Pollution of water	61% ●
	Pollution of soil	53% ●
	Pollution of living organisms and food resources	41% ●
	Substances of concern	59% ●
	Substances of very high concern	56% ●
ESRS E3	Water	68% ●
	Marine Resources	20% ●
ESRS E4	Direct impact drivers of biodiversity loss	71% ●
	Impacts on the state of species	53% ●
	Impacts on the extent and condition of ecosystem	63% ●
	Impacts and dependencies on ecosystem services	54% ●
ESRS E5	Resources inflows including resource use	75% ●
	Ressources outflows related to products and services	66% ●
	Waste	78% ●

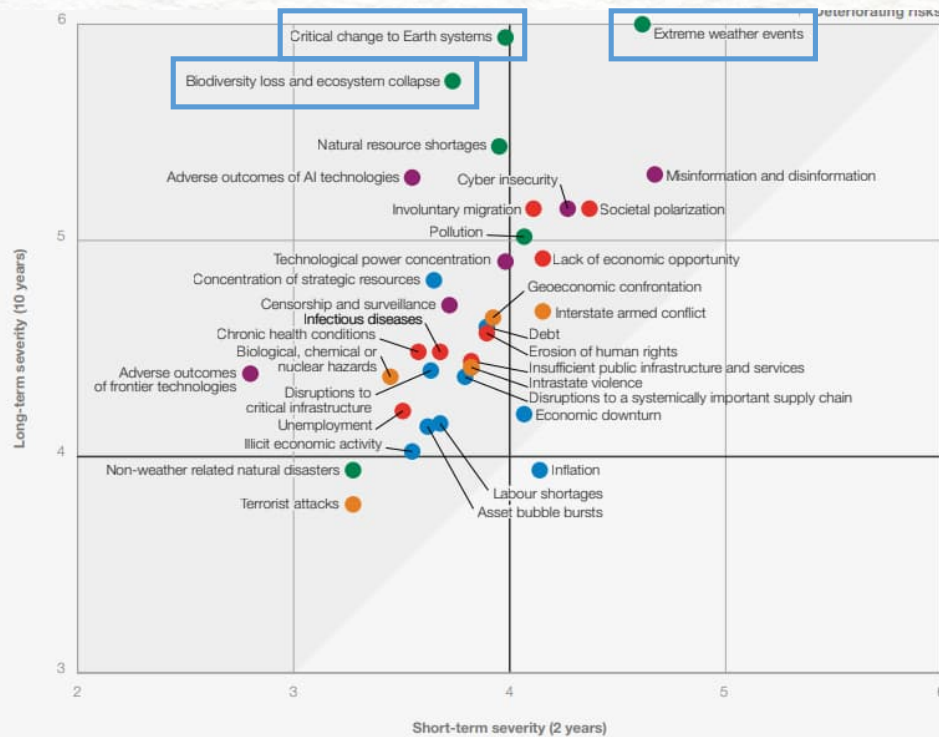
- Low materiality: Less than one-third of the companies in the sample considered this SM to be material
- Average materiality: More than one-third and less than 90% of the sample considered this SM to be material
- Strong materiality: More than 90% of the sample considered this SM as material



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Our house is burning and we need to anticipate and adapt

Climate change is the most important economic risk society is facing



World Economic Forum, WEF, The Global Risk Report 2024

This emergency is taken into account at a global scale...

Paris agreements to contain climate change to WB 2°C (efforts for 1,5°C if possible)



Carbon neutrality engagement of Europe, US and China)



... and pressure is felt by companies from multiples sources

Norms
Referential and certification



Regulation
CSRD, Green taxonomy, Duty of care, EU ETS and numerous regulations on energy, waste, transport...

B2B Clients and investors
Questionnaires and resilience expectation

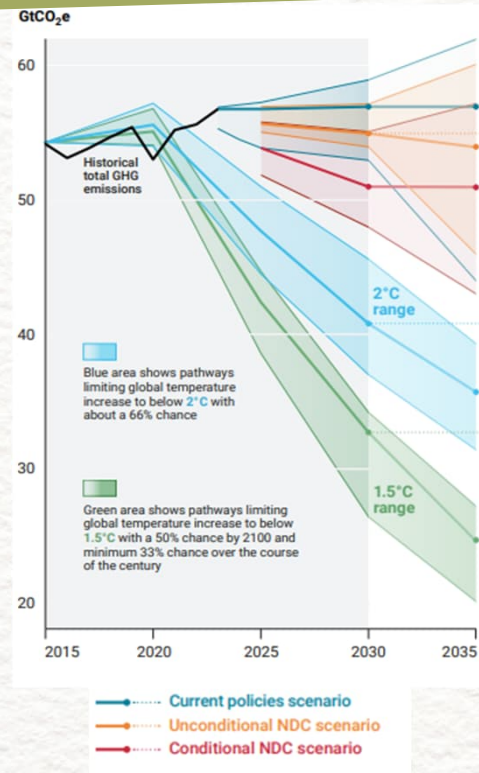


Shareholders
Say on climate

Consumers, employees and society at large
Market pressure for low carbon consumption

Nations must deliver **dramatically stronger ambition** and action to the challenge of global warming

The Emission Gap report 2024 highlights the huge climate action required to meet the Paris Agreement.

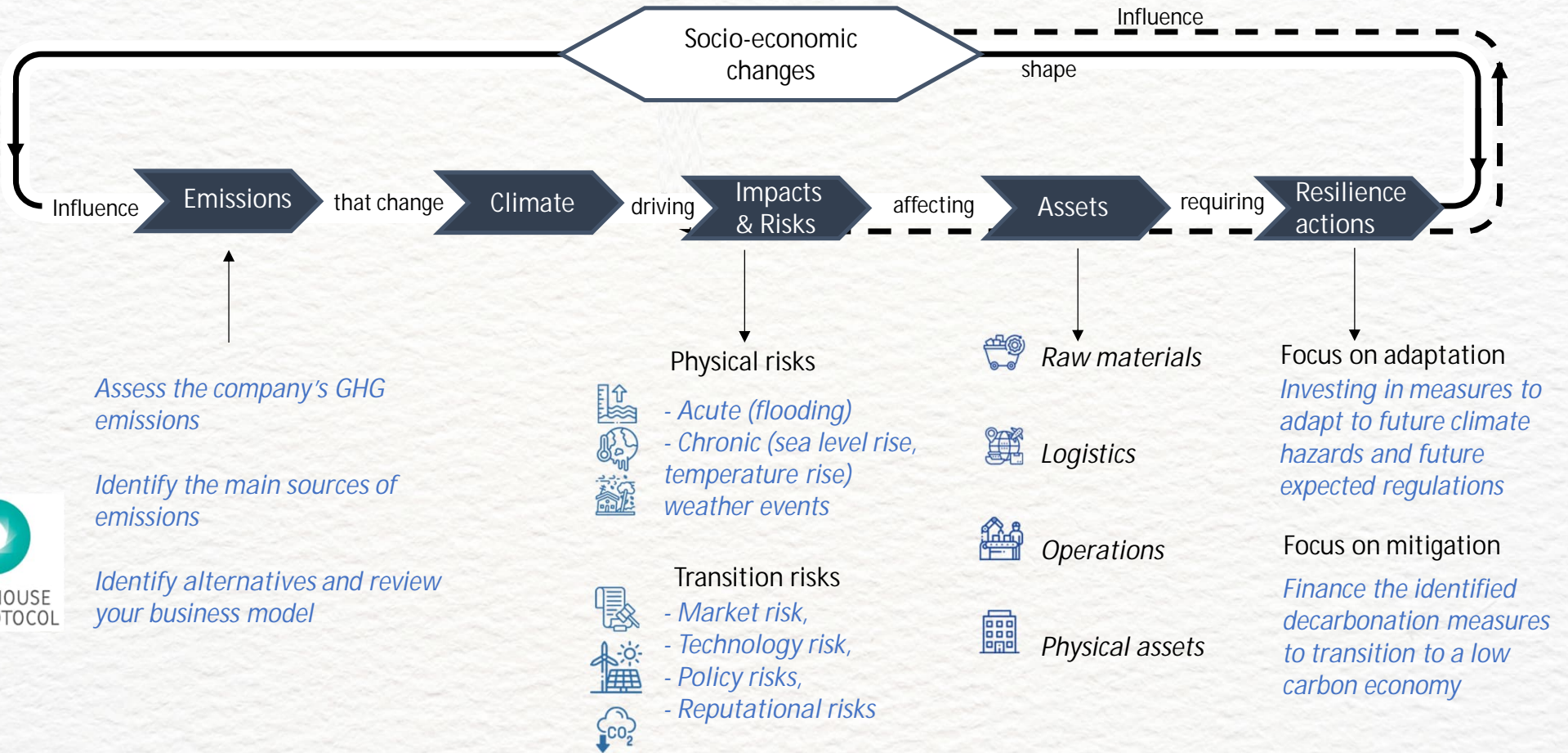


Scenarios	Likelihood of warming exceeding a specific temperature limit (%)		
	1.5°C	2°C	3°C
Current policies continuing	100% (85–100%)	97% (28–100%)	37% (1–80%)
Unconditional NDCs continuing	100% (86–100%)	94% (28–100%)	22% (1–75%)
Conditional NDCs continuing	100% (77–100%)	79% (19–100%)	10% (0–69%)
Conditional NDCs + all net-zero pledges	77% (64–97%)	20% (64–97%)	0% (0–6%)

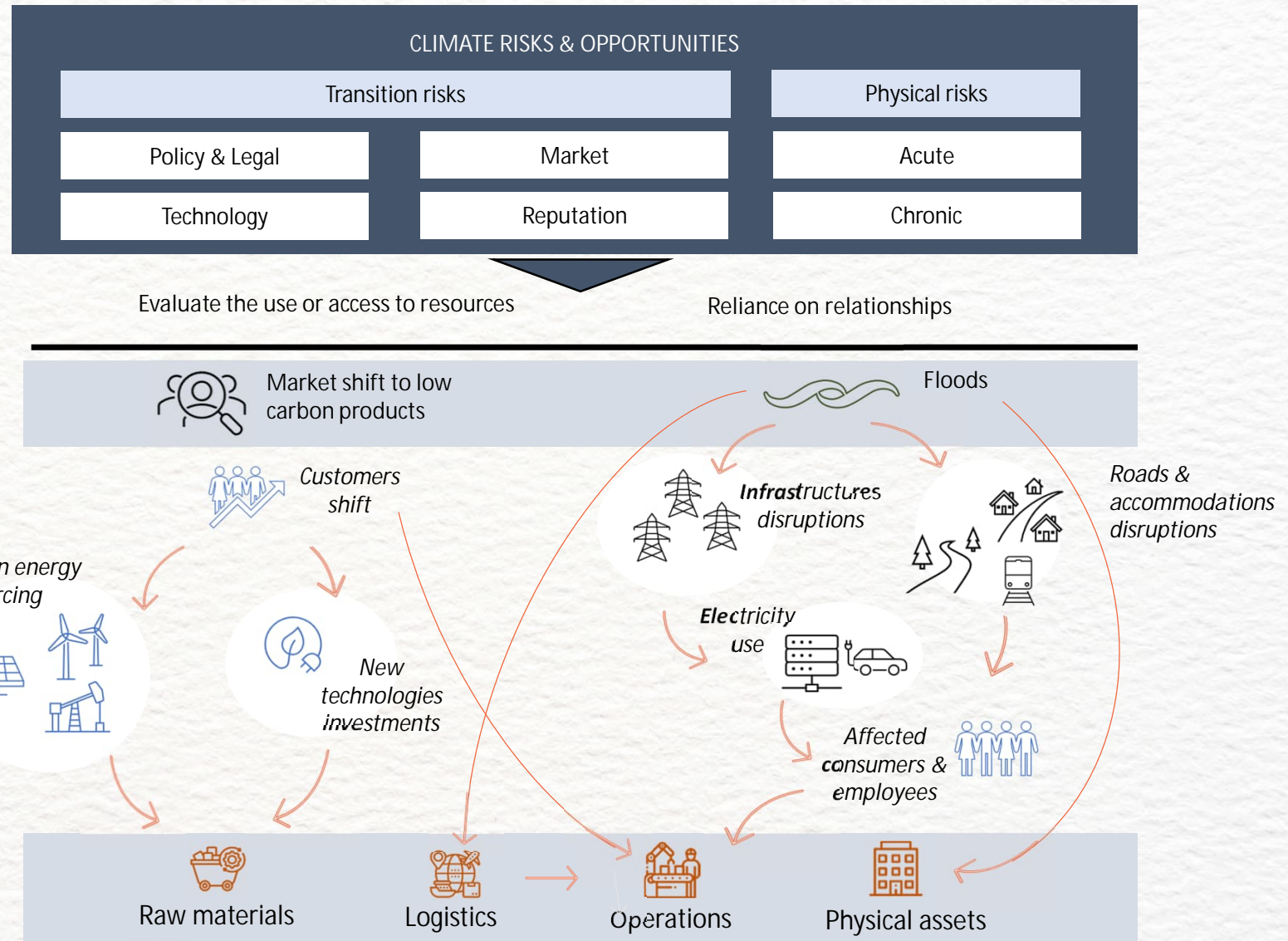
- We are not on track to meet the Paris Agreement, even if we add both unconditional and conditional NDCs to current policies.
- To maintain the possibility of achieving the 2°C or 1.5°C pathways, global emissions would need to be reduced by an average of 4% and 7.5% every year until 2035. The required annual reductions will increase if action is delayed until 2030.



How to improve its company's **resilience** to future climate challenges?

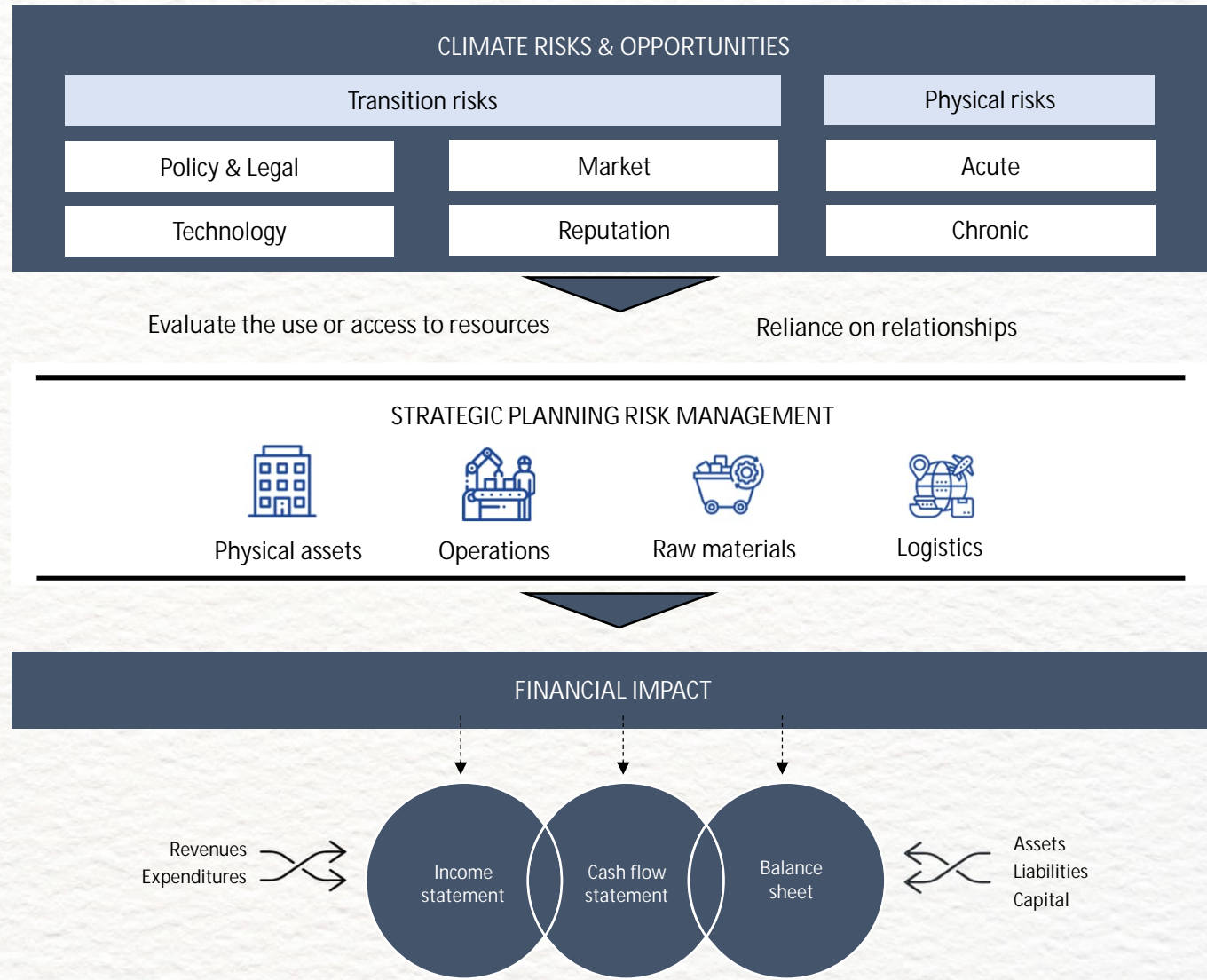


Identify triggers that will drive a transition plan

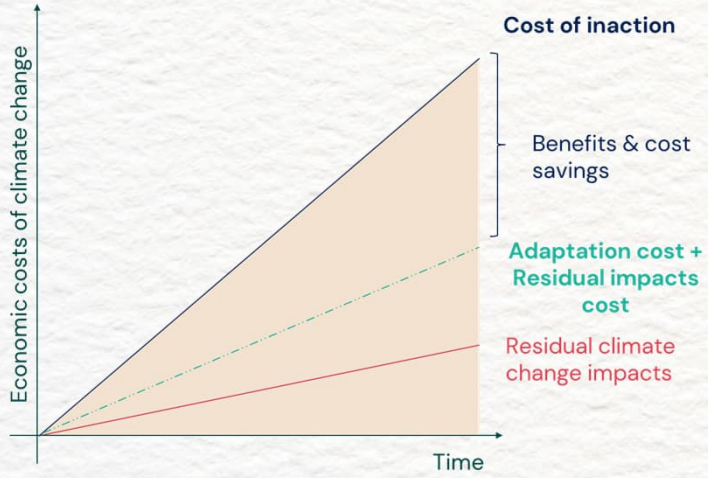




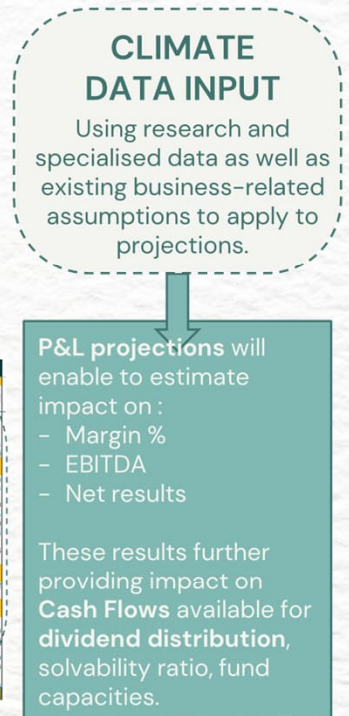
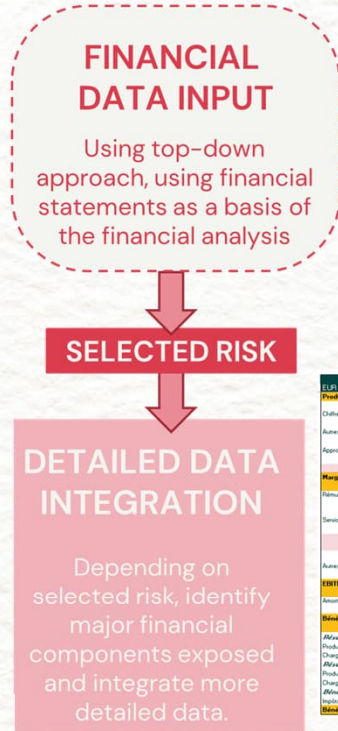
Quantify the related financial effects that will drive a transition plan



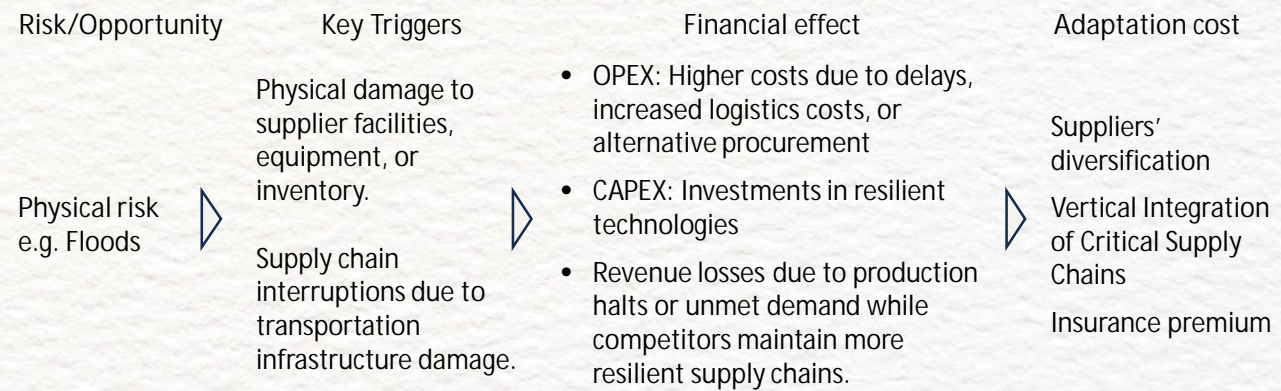
Quantify the related financial effects that will drive a transition plan



Adapted from European Environment Agency (EEA, 2019)



ELF	31-12-2021	31-12-2022	31-12-2023	31-12-2024	31-12-2025	31-12-2026	31-12-2027	31-12-2028	31-12-2029
Produits d'exploitation	2.862.305.652	3.163.833.846	3.208.216.143	3.256.710.872	3.305.841.712	3.355.717.521	3.406.350.330	3.457.752.351	3.510.000.000
Charges d'exploitation	2.844.874.055	3.143.034.181	3.180.175.834	3.226.032.389	3.266.602.875	3.305.905.910	3.345.940.447	3.386.723.954	3.438.000.000
Autres produits d'exploitation	16.500.793	19.716.900	19.134.400	19.616.483	19.238.937	19.816.003	20.410.483	21.022.733	21.650.000
Appropriations et marchandises	2.491.077.038	2.729.090.933	2.777.836.793	2.819.504.345	2.861.796.391	2.904.723.884	2.948.234.722	2.992.513.143	3.037.000.000
Marque Blaine	371.228.514	434.714.315	430.477.350	437.206.527	444.044.802	450.394.056	458.056.297	465.233.208	472.000.000
Immobilisation	77.432.160	68.584.727	69.481.908	90.823.225	92.165.674	93.568.460	94.971.566	96.386.566	97.800.000
Services et biens divers	93.659.224	106.630.724	107.649.359	200.614.093	203.623.379	206.677.660	209.777.825	212.924.493	216.100.000
Electricity cost	120.000	120.000	102.448	102.448	102.448	102.448	102.448	102.448	102.448
Autres	3.000.000	10.554.268	8.274.722	8.298.943	8.524.625	8.852.036	9.192.498	9.540.000	9.890.000
EBITDA	107.106.241	145.363.058	135.072.161	137.370.260	139.710.392	142.095.233	144.523.368	146.937.923	149.350.000
Amortissements	6.450.165	6.854.007	6.854.007	6.854.007	6.854.007	6.854.007	6.854.007	6.854.007	6.854.007
Méthode d'exploitation EBIT	100.522.358	141.234.846	128.218.154	130.516.253	132.856.385	135.241.226	137.669.361	140.143.916	142.496.000
Finances	-5.250.825	3.201.571	3.201.571	3.201.571	3.201.571	3.201.571	3.201.571	3.201.571	3.201.571
Produits financiers	1.617.271	6.186.288	6.186.288	6.186.288	6.186.288	6.186.288	6.186.288	6.186.288	6.186.288
Charges financières	7.267.206	-1.015.925	-1.015.925	-1.015.925	-1.015.925	-1.015.925	-1.015.925	-1.015.925	-1.015.925
EBIT	95.271.533	147.426.781	134.444.808	133.887.106	133.887.106	133.887.106	133.887.106	133.887.106	133.887.106
Charges exceptionnelles	8.000.000	11.930.233	11.930.233	11.930.233	11.930.233	11.930.233	11.930.233	11.930.233	11.930.233
Méthode d'exploitation avant impôt	87.271.533	135.496.548	122.514.575	121.956.873	121.956.873	121.956.873	121.956.873	121.956.873	121.956.873
Impôt sur résultat	23.800.204	29.541.506	29.541.506	29.541.506	29.541.506	29.541.506	29.541.506	29.541.506	29.541.506
Méthode de Fin. Avant impôt	63.471.329	105.955.042	92.973.069	92.415.367	92.415.367	92.415.367	92.415.367	92.415.367	92.415.367



Quantify the related financial effects that will drive a transition plan

FINANCIAL DATA INPUT
Using top-down approach, using financial statements as a basis of the financial analysis

SELECTED RISK

DETAILED DATA INTEGRATION
Depending on selected risk, identify major financial components exposed and integrate more detailed data.

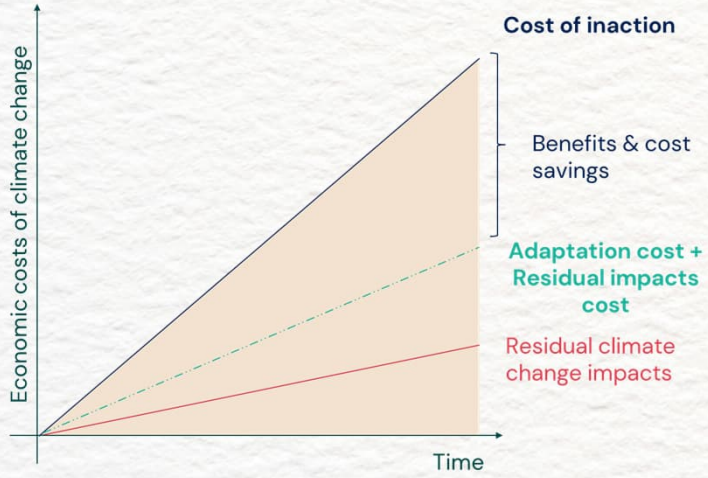
CLIMATE DATA INPUT
Using research and specialised data as well as existing business-related assumptions to apply to projections.

P&L projections will enable to estimate impact on:

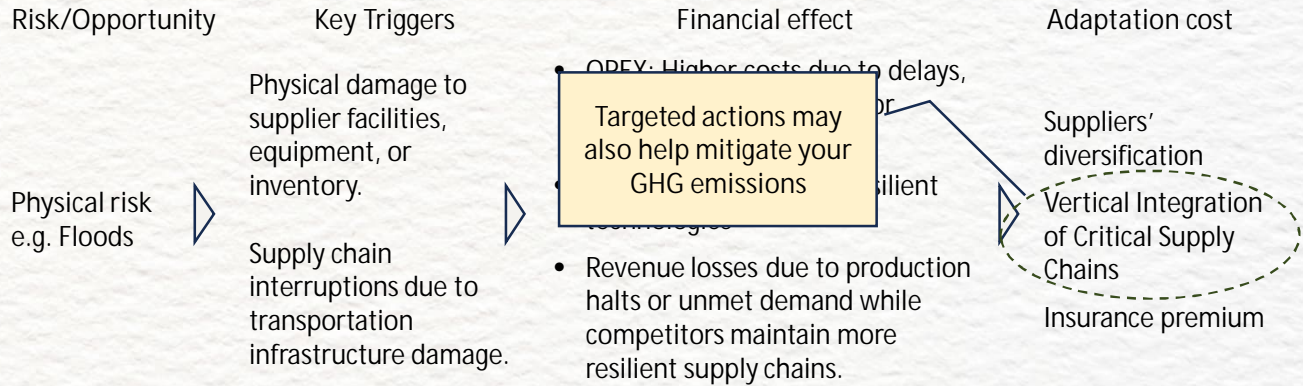
- Margin %
- EBITDA
- Net results

These results further providing impact on **Cash Flows** available for dividend distribution, solvability ratio, fund capacities.

ELF	31-12-2021	31-12-2022	31-12-2023	31-12-2024	31-12-2025	31-12-2026	31-12-2027	31-12-2028	31-12-2029
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Marge brute	371.228.514	434.714.315	430.477.350	437.206.527	444.044.802	450.394.656	458.056.297	465.233.208	472.000.000
Financement	77.432.100	68.582.727	69.481.900	70.823.225	72.557.674	73.568.460	74.711.569	75.986.566	77.300.000
Services et biens divers	103.659.224	106.630.724	107.649.359	108.634.093	109.623.379	110.677.660	111.777.825	112.900.493	114.050.000
Electricity cost	120.000	120.000	120.000	120.000	120.000	120.000	120.000	120.000	120.000
Autres	3.000.000	10.554.268	8.274.722	6.298.943	6.524.625	6.852.030	6.792.498	6.394.225	6.000.000
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Amortissements	6.450.165	6.854.007	6.854.007	6.854.007	6.854.007	6.854.007	6.854.007	6.854.007	6.854.007
Méthode d'exploitation EBIT	100.656.076	138.509.051	128.218.154	130.516.253	132.936.925	135.241.226	137.669.361	140.083.916	142.150.000
Méthode Résultat	-5.250.825	3.201.571	3.201.571	3.201.571	3.201.571	3.201.571	3.201.571	3.201.571	3.201.571
Produits financiers	1.017.271	8.116.288	8.116.288	8.116.288	8.116.288	8.116.288	8.116.288	8.116.288	8.116.288
Charges financières	7.207.206	-1.071.923	-1.071.923	-1.071.923	-1.071.923	-1.071.923	-1.071.923	-1.071.923	-1.071.923
Méthode exploitation	-7.207.206	42.481.377	42.481.377	42.481.377	42.481.377	42.481.377	42.481.377	42.481.377	42.481.377
Produits exceptionnels	230.000	54.400.000	54.400.000	54.400.000	54.400.000	54.400.000	54.400.000	54.400.000	54.400.000
Charges exceptionnelles	8.000.000	11.910.233	11.910.233	11.910.233	11.910.233	11.910.233	11.910.233	11.910.233	11.910.233
Méthode résultat avant impôt	87.879.889	107.852.294	100.942.889	102.795.291	104.825.232	107.150.889	109.558.849	112.020.849	114.600.000
Impôt sur résultat	23.800.204	31.641.500	31.641.500	31.641.500	31.641.500	31.641.500	31.641.500	31.641.500	31.641.500
Méthode de Rés. Avant taxes	64.079.685	76.210.794	69.301.389	71.153.791	73.183.732	75.509.389	77.917.349	80.379.349	82.958.500



Adapted from European Environment Agency (EEA, 2019)

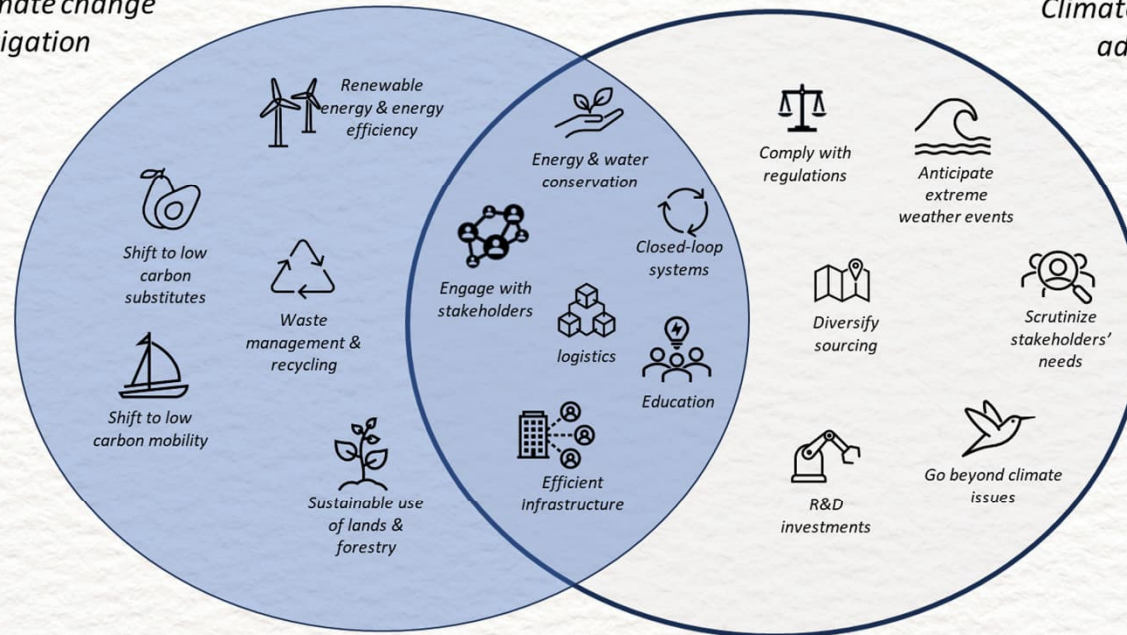




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Adapting to climate risks can also contribute to a **synergistic approach**, combining climate adaptation with efforts to reduce GHG emissions.

Climate change mitigation



Frameworks exist to support companies

Frameworks guide companies through a full transition plan development and disclosure

Ambition

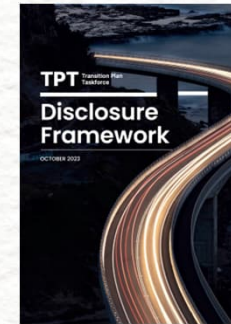
Reflecting the urgency to act

Action

Translating strategic ambition into concrete, short-term steps

Accountability

Enable delivery through robust governance and reporting



How does a transition plan differ from other decarbonization roadmaps?

- 1 It does not need to be produced annually
- 2 It is likely to be longer and more complex.
- 3 It has executive-level buy-in rather than living solely with your sustainability team.

Frameworks exist to support companies

Ambition

Foundations

Description of

- The strategic Ambition
- The Business model and value chain
- Key assumptions

Action

Implementation strategy

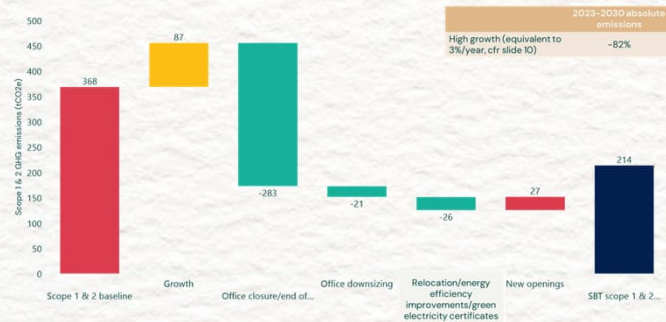
Review of:

- Business operations
- Products and services
- Policies
- Financial planning

Engagement strategy

Engage with:

- Value chain
- Industry
- Public sectors



Accountability

Metrics & targets

Set :

- Financial metrics and targets
- GHG metrics and targets
- carbon credits

Governance

Define :

- Board oversight and internal communication
- Management roles
- Incentives & remuneration
- Skills and trainings

- Scope 1, 2 & 3 emissions
- Year on year emissions progress against target
- % CAPEX aligned with EU Taxonomy
- % renewable energy consumed



The ESRS E1 is an extensive standard, requiring companies to report their complete carbon footprint and disclose the allocation of financial resources for their transition plan

 <p>General disclosures</p>	ESRS 2 GOV-3	Integration of sustainability-related performance in incentive schemes
	DR E1-1	Transition plan for climate change mitigation
	ESRS 2 SBM 3	Material IRO's and their interaction with strategy and business model
	ESRS-2 IRO-1	Description of the processes to identify and assess IRO's
 <p>IRO management</p>	DR E1-2	Policies related to climate change mitigation and adaptation
	DR E1-3	Actions & resources related to climate change policies
 <p>Metrics & targets</p>	DR E1-4	Targets related to climate change mitigation and adaptation
	DR E1-5	Energy consumption and mix
	DR E1-6	Gross scopes 1,2 & 3, and total GHG emissions
	DR E1-7	GHG removals and GHG mitigation projects financed through carbon credits
	DR E1-8	Internal carbon pricing
	DR E1-9	Anticipated financial effects physical & transition risks, climate opportunities
<p>202 datapoints</p>	<p>93% Mandatory</p>	<p>27% Narrative / 13% Semi-narrative / 59% Numerical</p>



DR	PARAGRAPH	RELATED AR	NAME	DATA TYPE	C / A DP
E1-1	14	<u>AR 1</u>	<u>Disclosure of transition plan for climate change mitigation</u>	narrative	
E1-1	16 a	<u>AR 2</u>	<u>Explanation of how targets are compatible with limiting of global warming to one and half degrees Celsius in line with Paris Agreement</u>	narrative	
E1-1	16 b		<u>Disclosure of decarbonisation levers and key action</u>	narrative	
E1-1	16 c		<u>Disclosure of significant operational expenditures (Opex) and (or) capital expenditures (Capex) required for implementation of action plan</u>	narrative	
E1-1	16 c		<u>Financial resources allocated to action plan (OpEx)</u>	monetary	
E1-1	16 c		<u>Financial resources allocated to action plan (CapEx)</u>	monetary	
E1-1	16 d	<u>AR 3</u>	<u>Explanation of potential locked-in GHG emissions from key assets and products and of how locked-in GHG emissions may jeopardise achievement of GHG emission reduction targets and drive transition risk</u>	narrative	
E1-1	16 e	<u>AR 4</u>	<u>Explanation of any objective or plans (CapEx, CapEx plans, OpEx) for aligning economic activities (revenues, CapEx, OpEx) with criteria established in Commission Delegated Regulation 2021/2139</u>	narrative	Conditional
E1-1	16 f	<u>AR 5</u>	<u>Significant CapEx for coal-related economic activities</u>	monetary	Conditional
E1-1	16 f	<u>AR 5</u>	<u>Significant CapEx for oil-related economic activities</u>	monetary	Conditional
E1-1	16 f	<u>AR 5</u>	<u>Significant CapEx for gas-related economic activities</u>	monetary	Conditional
E1-1	16 g		<u>Undertaking is excluded from EU Paris-aligned Benchmarks</u>	semi-narrative	
E1-1	16 h		<u>Explanation of how transition plan is embedded in and aligned with overall business strategy and financial planning</u>	narrative	
E1-1	16 i		<u>Transition plan is approved by administrative, management and supervisory bodies</u>	semi-narrative	
E1-1	16 j		<u>Explanation of progress in implementing transition plan</u>	narrative	
E1-1	17		<u>Date of adoption of transition plan for undertakings not having adopted transition plan yet</u>	gYear	Conditional

ESRS E1-1 Transition plan for climate change mitigation

Explain how your targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement

- + *Confirm whether the transition plan is approved by the administrative, management and supervisory bodies*
- + *Explain how the transition plan is embedded in and aligned with your overall business strategy and financial planning*
- + *Be transparent on your progress in implementing the transition plan.*

Describe the scenarios selected and the level of ambition

- Validated by the Science Based Targets initiative (SBTi)
- Mention the type of target selected, the scope covered and the level of ambition by 2030 and 2050
- Guided by the latest IPCC reports and NGFS scenarios (Net zero scenario)

Potential pitfalls

- Setting targets without a clear roadmap or feasibility analysis,
- Lack of alignment with scientific benchmarks on the different time horizons (e.g., 1.5°C pathway)
- Setting targets without considering sector-specific challenges and capabilities

Note*: non-exhaustive

Level of evidence required*

- Detailed records of target-setting process and alignment with scientific benchmarks (ex: use of SBTi)
- Approval evidence by board level
- Memo outlining how transition plan is embedded in the company's strategy

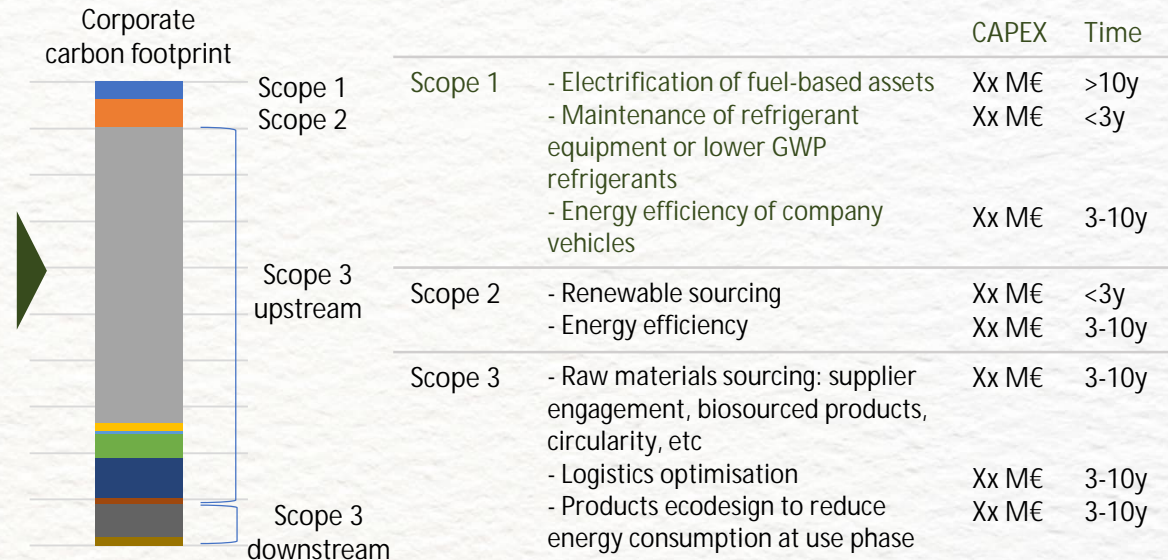
Further clarifications

- Compatibility acceptable for only scopes 1 and 2?
- Time horizon: discrepancy between E1-1 (2050) and E1-3 (at least 2030 and if available 2050)
- What if existing targets = SBTi "WB2°C"?
- What if existing targets = different perimeter than CSRD requirements?

ESRS E1-1 Transition plan for climate change mitigation

Explain the decarbonation levers identified and key actions planned, including

- changes in your products/services portfolio,
- adoption of new technologies in your own operations or the upstream/downstream value chain
- *How to transform, decommission or phase out any GHG-intensive and energy-intensive assets/products*



Potential pitfalls

- Over-reliance on scope 2 and carbon offsetting and failure to address key emission sources (examples from EY Climate Action Barometer 2024)
- Implementing strategies that are not scalable or sustainable in the long term

Level of evidence required*

- Comprehensive plans outlining specific actions and timelines
- Documentation of feasibility studies
- Based on professional judgment, select certain actions for detail testing (invoices, third-party evidence, calculations,...)

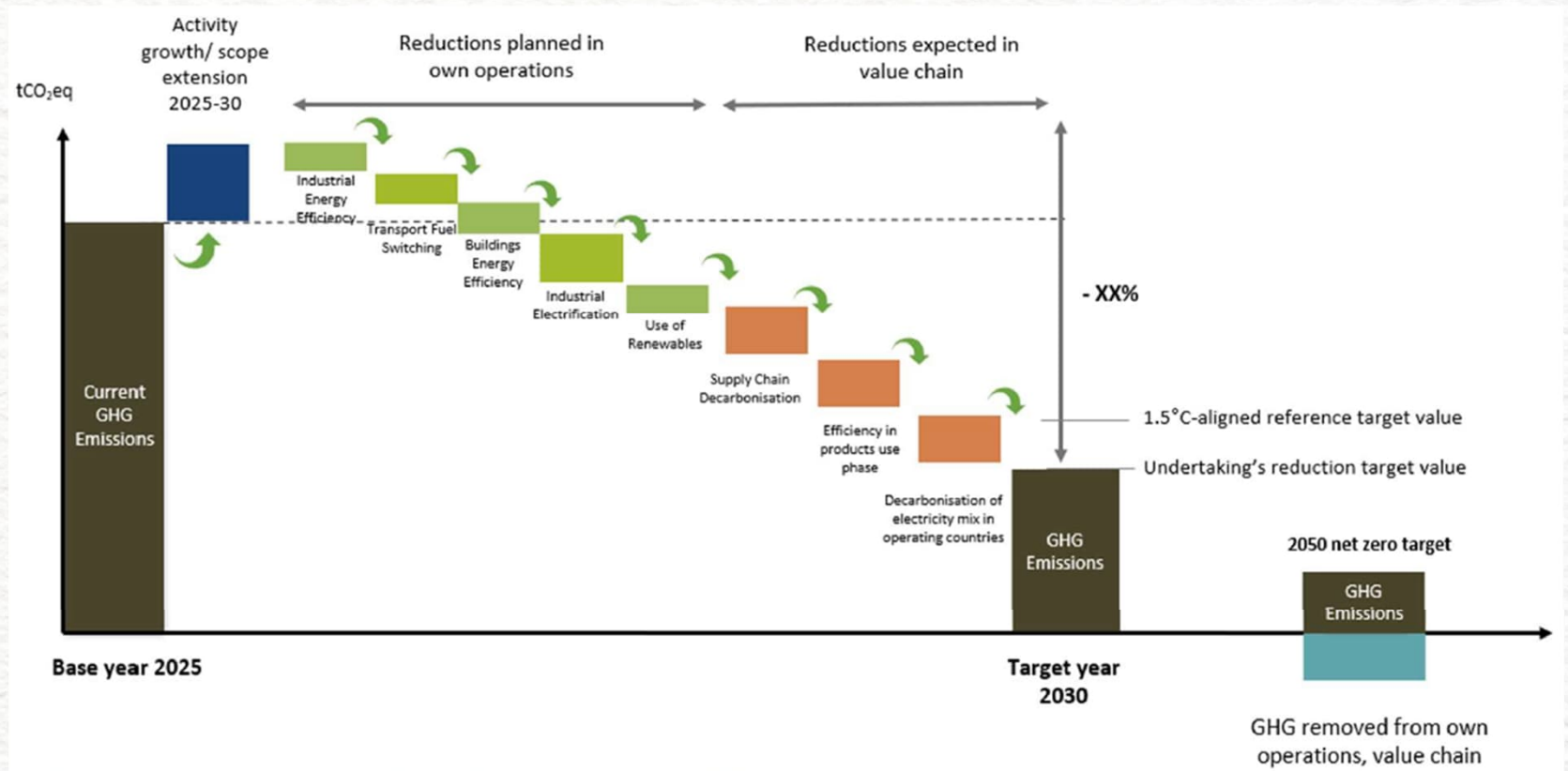
Further clarifications

- What if the currently identified actions do not meet their targets?
- How to best define key actions linked to transition plan with associated periods (to fill the gap between baseline and target)?

Note*: non-exhaustive

ESRS E1-1 Transition plan for climate change mitigation

“The undertaking may present its GHG emission reduction targets together with its climate change mitigation actions (see paragraph AR 19) as a table or graphical pathway showing developments over time. The following figure and table provide examples combining targets and decarbonisation levers” (AR31).



Source: ESRS E1 – DR1-4 AR31

ESRS E1-1 Transition plan for climate change mitigation

Explain and quantify the investments AND funding (significant capEx and opEx) supporting the implementation of the transition plan:

- Definition of "significant"
- capEx in relation with financial statements
- capEx in relation with key performance indicators of taxonomy-aligned CapEx + CapEx plan if relevant;
- capEx in relation to action plan



- X meur to be invested for the next x years (per action of mitigation)
- X% CapEx eligible / aligned to the EU Taxonomy
- Splitting the CapEx between the different taxonomy-eligible activities can be tricky → Use the EU Taxonomy compass



<https://ec.europa.eu/sustainable-finance-taxonomy/taxonomy-compass>

Potential pitfalls

- Underestimating the resources required for transition
- Lack of clear funding mechanisms
- Overlooking the need for contingency plans to address unexpected financial challenges

Level of evidence required*

- Reconciliation with capex information under EU Taxonomy is a minimum
- Quantitative information for time period covered by the Taxonomy + Qualitative information in first 3 years for periods not covering the Taxonomy KPIs

Further clarifications

- Should the investment (CapEx) be limited to the EU Taxonomy disclosure?
- How to define incremental financial investments directly contributing to the targets (specifically for scope 3 levers)?

Note*: non-exhaustive

ESRS E1-1 Transition plan for climate change mitigation

Assess the potential locked-in emissions of your key assets and products and report qualitative assessment:

- Explain if these may jeopardise the achievement of your targets and drive transition risk.
- Explain your plan to manage your GHG-intensive and energy intensive assets and products



Refer to the future greenhouse gas emissions that are unavoidable due to existing infrastructures, or investments unless they are prematurely retired or retrofitted

$$\text{Locked-in Emissions} = \text{Annual Emissions} \times \text{Remaining Lifetime}$$

→ As an example: Locked-in emissions of a traditional natural gas-powered furnace, if not retired.

- Measure the annual emissions: total annual kWh consumed x tCO₂e/kWh
- Remaining lifetime: Estimate the remaining operational years of the furnace.
- Efficiency improvements: Account for possible retrofitting or decreasing efficiency over time, if applicable.

Potential pitfalls

- Inaccurate calculation or documentation of locked-in emissions
- Lack of clear strategies to address or phase out these emissions
- Ignoring potential regulatory changes that could impact locked-in emissions

Level of evidence required*

- Obtain mathematical calculation related to assets identified
- Reconcile data with fixed asset register financial information

Further clarifications

- How to deal with locked-in emissions associated with products (versus assets)?
 - Only of products sold within the reporting year?
 - What about products expected to be sold due to the projections and the link with business model?

Note*: non-exhaustive

Recommendations

For the starters

- Define management roles, responsibility and accountability
- Get the Board involved and ensure good governance
- Carbon inventory on the 3 scopes in line with GHG protocol
- Transition plan and targets focused on scopes 1 and 2 (best practice: use of SBTi)
- Define investments and implement decarbonization levers for scopes 1 and 2
- Assess physical and transition risks

For more mature organizations

- Improve scope 3 inventory and aim to get supplier specific data
- Define realistic scope 3 targets & identify required investments to implement decarbonization levers
- Boost the executive performance by linking a company's strategic climate impact to monetary incentives
- Define new business opportunities to thrive in a low carbon economy
- Do not limit your focus to mitigation. Address climate challenges (R&O) holistically by also embedding adaptive measures into your strategy.

Useful resources *(non exhaustive)*

- ESRS legal text (<https://xbrl.efrag.org/esrs/esrs-set1-2023.html#d1e10096-3-1>)
- EFRAG: (<https://www.efrag.org/en>)
 - *Q&A platform: compilation of explanations*
 - *Implementation Guidance 4: early draft on Transition Plan*
- Transition Plan Taskforce : Disclosure Framework (oct23) (<https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/disclosure-framework-oct-2023.pdf>)
- AMF: Plan de Transition Climatique au format ESRS (<https://www.amf-france.org/sites/institutionnel/files/private/2024-02/rendre-compte-de-son-plan-de-transition-au-format-esrs.pdf>)



Thank you for your participation