Upcoming Corporate Sustainability Reporting Requirements From SBTi to CSRD

UN Global Compact Network Austria

Network Austria

Corporate Sustainability Directive (CSRD), Science Based Target initiative (SBTi)

22.02.2024

Photo: UN Photo/UN Photo/Cia Pak

UNITED NATIONS GLOBAL COMPACT

- UNGC is the world's largest and most important corporate sustainability initiative
- follows the vision of an inclusive and sustainable economy built on the Ten Principles and the Sustainable Development Goals in the areas of human rights, labour, environment and anti-corruption & the Sustainable Development Goals (SDGs)
- Provides a unique framework to discuss the equitable shaping of globalization across sectors and borders with various strategies and activities
- The initiative is not a certifiable standard or regulatory instrument, but an open forum to initiate change processes and to share ideas

Global Compact Network Austria

UN GLOBAL COMPACT OVERVIEW

21,000+
businesses

3,000+
non-business organisations

170+
countries
UN Global Compact participants

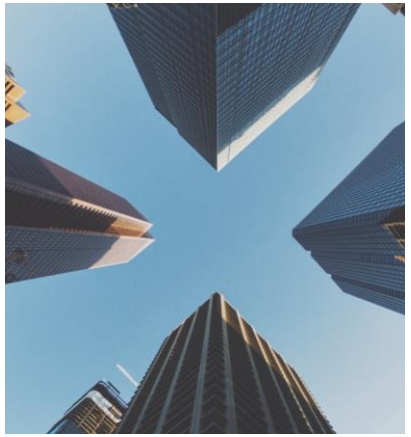
62+
local networks

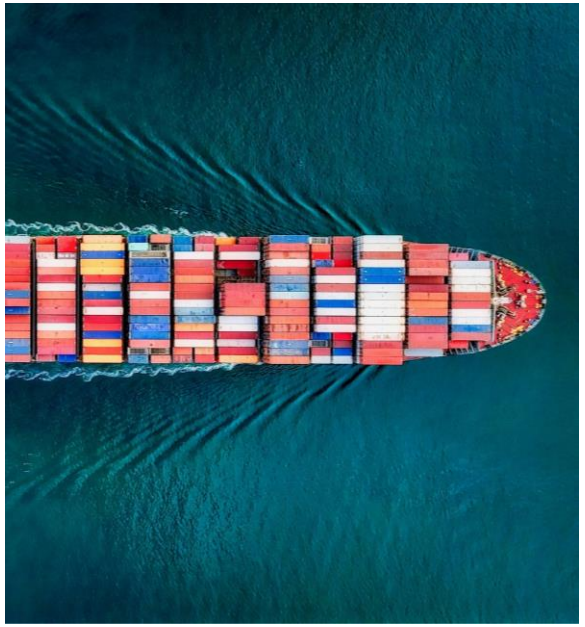
100+
million employees

Global Compact Network Austria

Corporate Sustainabiltity Directive (CSRD)

European Sustainability Reporting Standards E1





Key requirements of the CSRD

- **Double materiality:** Companies must analyze their sustainability impact through two different types of materiality, which are how their business impacts people and the planet, and how sustainability and climate change impact their business.
- **ESRS:** Companies must follow the European Sustainability Reporting Standards (ESRS) when conducting their sustainability reporting. These standards cover environmental, social, and governance topics.
- **Third-party assurance:** The CSRD requires companies to provide limited assurance for their sustainability information. This means that an impartial, reliable, and knowledgeable third party must review the data to ensure its accuracy and reliability.
- The information must be a part of the management report and published in a digital format (XHTML).

CSRD Timeline

2023

The CSRD entered into force

First Reporting 2025

All lange companies already covered by the NFRD (>500 employees)

First Reporting 2026*

All large companies along with large non-EU companies listed on an EU market, that meet at least two of the following three requirements:

250 or more employees
50 M EUR in net turnover
20 M EUR in assets

First Reporting 2027

Plublicly traded small an medium sized-enterprises (SMEs) that meet at least two of the following requirements:

> 10 employees
> 700.000 EUR net revenue
> 350.000 EUR in assets

First Reporting 2029

All non-EU-country companies, with net- turnover above 150 M EUR in the EU and if they have at least one subsidiary of branch in the EU

Relevance for SMEs and suppliers

Observed trends and drivers

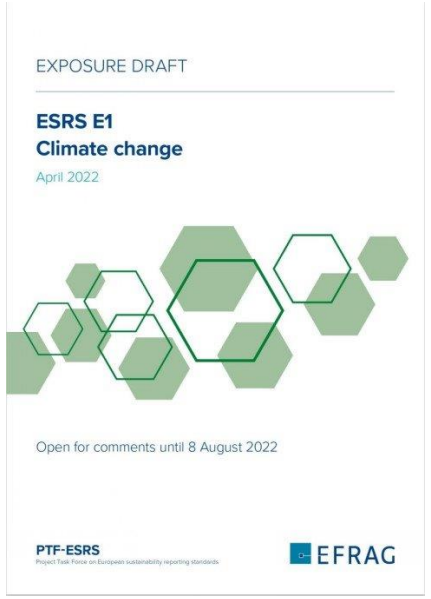
- Supply chain pressures (tier 1 and further)
  - Questionnaires with information regarding the sustainability performance (eg. CDP, Ecovadis)
- Market opportunities
- Consumer awareness and the ripple effect of transparency

What actions you can take today to make your business ready for the upcoming changes?

- Educate yourself and your team
- Beginn sustainability monitoring (eg. Scope 1,2)
- Publish your first (imperfect) non-financial report
- Data collaboration with sector supply chain partners
- Engage with stakeholders
- Communication on Progress of UN Global Compact
- Voluntary SME ESRS (draft)
- Global Reporting Initiative (GRI)

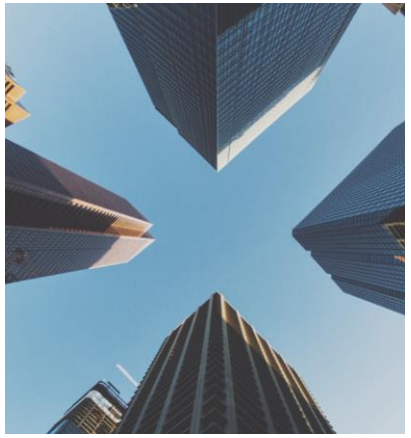
ESRS 1 E1 Climate change

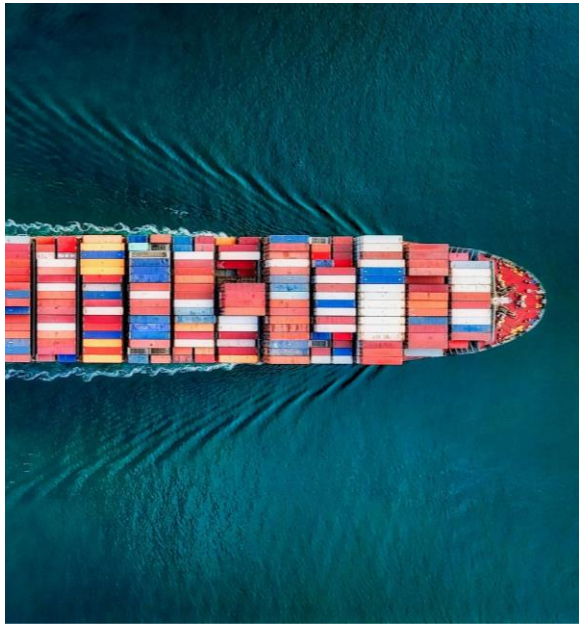
1. General, strategy, governance and materiality assessment
2. Policies, targets, action plans and resources
3. Performance measurement
    1. Energy consumption and mix
    2. Energy intensity per net turnover
    3. Scope 1 GHG emissions
    4. Scope 2 GHG emissions
    5. Total GHG emissions
    6. GHG intensity per net turnover
    7. GHG removals in own operations and the value chain
    8. GHG mitigation projects finances through carbon credits
    9. Avoided GHG emissions from products and services — Optional
    10. Taxonomy Regulation for climate change mitigation and climate change adaption
    11. Potential financial effects from material physical risks
    12. Potential financial effects from material transition risks
    13. Potential financial effects from material climate-related opportunities — Taxonomie



Science Based Target initative (SBTi)

Voluntary public commitment for carbon reduction





Science Based Target initiative

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

The Science Based Targets initiative (SBTi) is a **global body** enabling businesses and financial institutions to set **ambitious emissions reductions** targets in line with the **latest climate science**.

Founding Partners

CDP

United Nations Global Compact

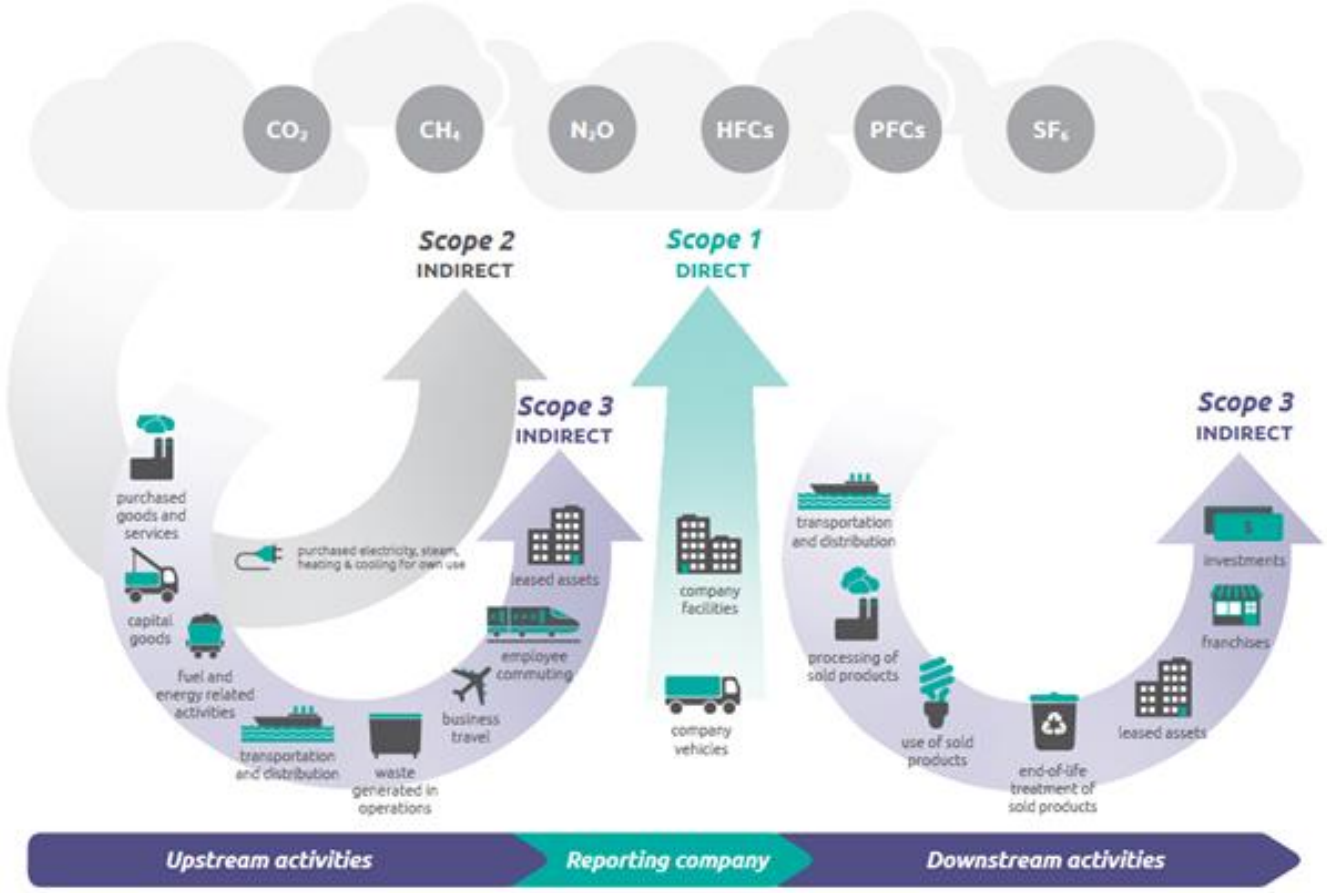
WORLD RESOURCES INSTITUTE

WWF

In collaboration with

WE MEAN BUSINESS COALITION

Scopes of climate accounting



Data collection

Metered Activity Data

Utility bills
Fuel and chemical purchases
Mileage reports
Supplier reports
(e.g., purchased goods spend, waste volumes)

Estimated Activity Data

Intensity-based: per square foot, per unit of production, per revenue dollar
Company-specific or industry average

SCOPE 1 ACTIVITY DATA CAN USUALLY BE COLLECTED IN THE FOLLOWING FORMS AND FROM THESE COMMON SOURCES:

Gallons of gasoline or diesel *(Fuel-purchase receipts)*

Miles driven *(Travel records)*

Therms of natural gas *(Fuel-use records)*

Gallons of heating oil *(Fuel-oil receipts)*

Kilograms of refrigerant *(Vehicle maintenance records, MVAC service provider, HVAC service provider)*

SCOPE 2 ACTIVITY DATA CAN USUALLY BE COLLECTED IN THE FOLLOWING FORMS AND FROM THESE COMMON SOURCES:

Kilowatt hours (kWh) of **electricity purchased** *(Electric utility bills)*

Kilowatt hours (kWh) of **heating purchased** *(District heating bills)*

Ton-hours of **cooling purchased** *(District cooling bills)*

Pounds (lbs) of **steam purchased** *(Steam utility bills)*

SCOPE 3 ACTIVITY DATA CAN USUALLY BE COLLECTED IN THE FOLLOWING FORMS AND FROM THESE COMMON SOURCES:

Spend data for purchased good and services *(Procurement and accounting records)*

Distance and mode of travel used by employees for commuting *(Employee commuting survey)*

Distance travelled by air and rail by employees for business travel *(Expense records)*

Tonnes of waste by type and disposal method *(Service provider records, Site waste audit)*

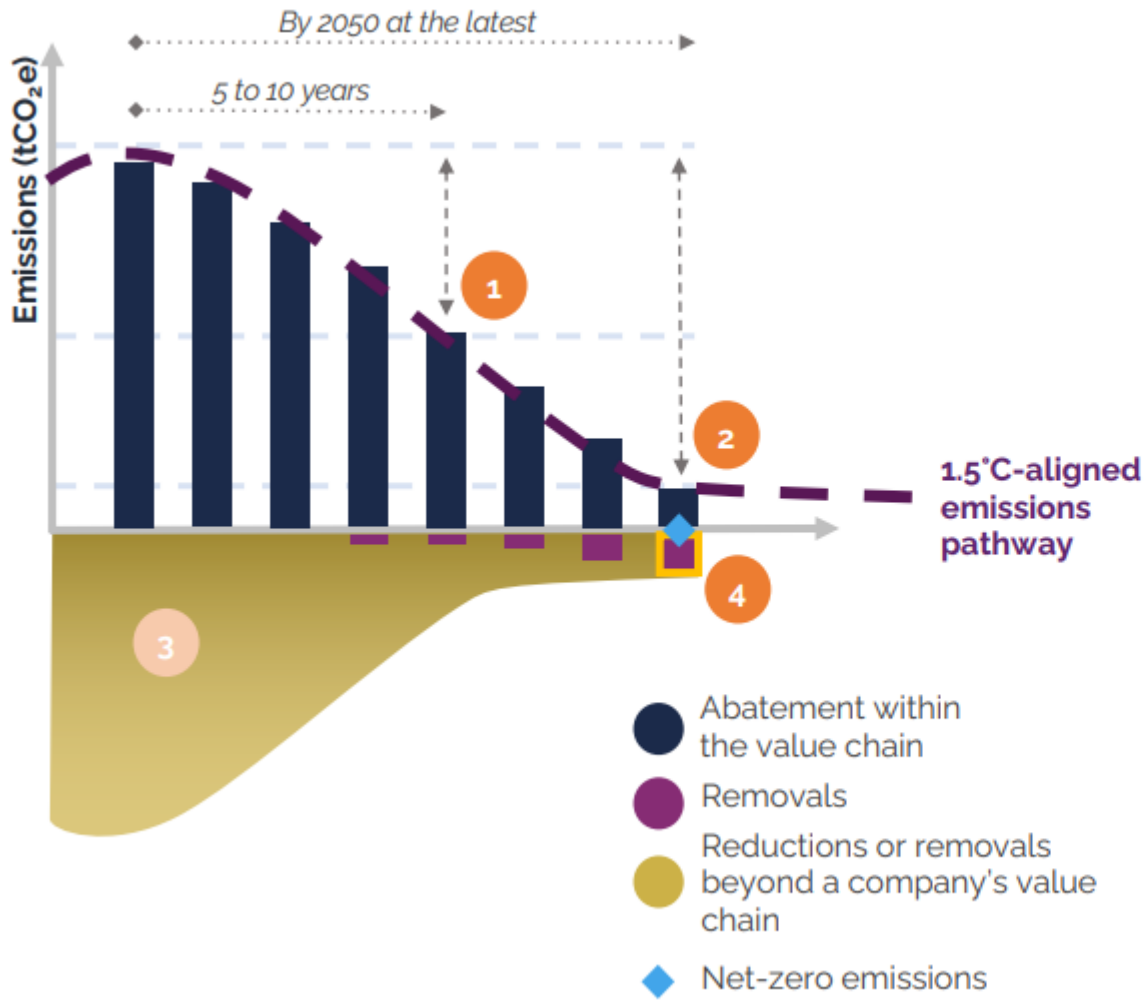
Setting an SBT: GENERAL CRITERIA

In order for targets to be approved by the SBTi, they must meet certain criteria:

	CRITERIA
Base Year	• The SBTi recommends choosing the most recent year for which data are available as the target base year • For targets submitted for validation in 2024, the most recent inventory data submitted must be for 2022 at the earliest.
Target Year	• Targets must cover a minimum of 5 years and a maximum of 10 years from the date the target is submitted to the SBTi for an official validation
Scope 1 and 2	• Targets must cover company-wide scope 1 and scope 2 emissions, as defined by the GHG Protocol Corporate Standard • The GHG inventory must include 95% of Scope 1 and 2 GHG emissions • Scope 2 emissions can be reported either as "location-based" or "market-based", however, the approach must remain consistent when setting a target and tracking progress • Near-tearm Targets must reduce absolute GHG emissions in line with a 1.5 °C
Scope 3	• A scope 3 screening must be completed for all relevant scope 3 categories per the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard • If a company's relevant scope 3 emissions are 40% or more of total scope 1, 2, and 3 emissions, they must be included in near-term science-based targets • At a minimum, targets must reduce absolute GHG emissions in line with a level of decarbonization required to keep global temperature increase to 1.5°C

This is just an overview of the SBT criteria, the comprehensive description of SBT criteria and requirements is available at: https://sciencebasedtargets.org/resources

SBTi Methodology



1 **To set near-term science-based targets**: 5-10 year emission reduction targets in line with 1.5˚C pathways

2 **To set long-term science-based targets:** Target to reduce emissions to a residual level in line with 1.5˚C scenarios by no later than 2050

3 **Beyond value chain mitigation:** In the transition to net-zero, companies should take action to mitigate emissions beyond their value chains. For example, purchasing high-quality, jurisdictional REDD+ credits or investing in direct air capture (DAC) and geologic storage

4 **Neutralization of residual emissions:** GHGs released into the atmosphere when the company has achieved their long-term SBT must be counterbalanced through the permanent removal and storage of carbon from the atmosphere

Required Recommended

Cross-sectoral guidance

Focus: Near-term targets

Latest version: 5.1

Focus: Target(s) on the parth towards achivieng net zero emission sat the corporate level

Latest version: 1.1

Focus: Targets for SMEs

(simplified route)

SBTi FLAG - Guiding Documents

Sponsor	GREENHOUSE GAS PROTOCOL	SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION
Title	**Land Sector & Removals Guidance**	**Forests, Land, & Agriculture (FLAG) Guidance**
Scope	GHG Accounting Guidance	Target-Setting Guidance
Developers	WRI, WBCSD	WWF, SBTi
Status	*Currently in draft*	*Released Sep 2022*

The two projects have been funded by the Gordon & Betty Moore Foundation.

Who sets a FLAG Target - Key Features

- FLAG covers **land emissions and biogenic removals.**
- **FLAG targets are separate** from energy/industry targets.
- FLAG offers **options on demand-side and supply-side companies:**
  - Sector approach
  - Commodity approach
- FLAG requires a **no-deforestation commitment**
- FLAG **does NOT include offsets**.

- **These Sectors**
  - Forest & Paper Products
  - Food Production – Agricultural Production
  - Food Production – Animal Source
  - Food & Beverage Processing
  - Food & Staples Retailing
  - Tobacco

- **Companies in any other sector that have** FLAG related emission s totaling more than 20% of the company`s overall emissions across scopes 1,2 and 3.

Approaches to set FLAG Targets

Table 5. Typology of FLAG approaches and users

APPROACH	USERS
FLAG Sector Approach *Calculate targets for diversified FLAG emissions*	Companies with diversified land-intensive activities in their supply chain; companies in midstream and downstream sectors.* Supply-side companies with land-based emissions that are not covered by the commodity approach (e.g., cocoa, coffee, rubber) or with emissions associated with a commodity included in the commodity approach but where emissions from the commodity in question are less than 10% of the company's overall FLAG emissions.
FLAG Commodity Approach *Calculate targets for FLAG commodity -specific emissions* • Beef. • Chicken. • Dairy. • Leather. • Maize. • Palm oil. • Pork. • Rice. • Soy. • Wheat. • Timber & wood fiber.	Upstream companies with emissions associated with one or more of the available agricultural commodity pathways (except timber & wood fiber) that account for 10%** or more of a company's total (gross) FLAG emissions for each of those commodities *may* use the commodity pathway for that commodity (but are not required to do so). Companies in the forest products sector or with emissions related to timber & wood fiber that account for 10% or more of their total (gross) FLAG emissions are required to use the commodity pathway for timber & wood fiber.

Table 8. Summary of near-term FLAG pathways

Note: Commodity pathways and the sector pathway may be combined for an aggregated FLAG target. See the FLAG Tool and Methods Addendum for additional details.

NEAR-TERM TARGET PATHWAY NAME	PATHWAY TYPE	UNITS	ABSOLUTE % REDUCTION* (%/YR 2020-2030)
FLAG Sector Approach	Absolute	tCO_2e	3.03
FLAG Commodity–Beef	Intensity	tCO_2e/t fresh wt	2.40
FLAG Commodity–Chicken*	Intensity	tCO_2e/t fresh wt	3.90
FLAG Commodity–Dairy	Intensity	tCO_2e/t fresh wt FPCM	3.10
FLAG Commodity–Leather	Intensity	tCO_2e/t fresh wt	2.50
FLAG Commodity–Maize*	Intensity	tCO_2e/t fresh wt	3.50
FLAG Commodity–Palm Oil*	Intensity	tCO_2e/t fresh wt	3.10
FLAG Commodity–Pork*	Intensity	tCO_2e/t fresh wt	3.30
FLAG Commodity–Rice*	Intensity	tCO_2e/t fresh wt	2.90
FLAG Commodity–Soy*	Intensity	tCO_2e/t fresh wt	3.80
FLAG Commodity–Timber & Wood Fiber	Intensity	tCO_2e/m3	2.80
FLAG Commodity–Wheat*	Intensity	tCO_2e/t fresh wt	3.60
Mixed Sector Pathway (non-FLAG)	Absolute	tCO_2e	4.20**

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