

Hållbart värdeskapande

Looking ahead and beyond

Report 2022



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Hållbart värdeskapande

Hållbart Värdeskapande (Sustainable Value creation) is a collaborative initiative between 17 of the largest Swedish institutional owners on Nasdaq Stockholm. The purpose is to support sustainable value creation in listed Swedish companies through dialogue and openness.

Alecta – AMF – AP1 – AP2 – AP3 – AP4 – Danske Bank – Folksam – Handelsbanken – Länsförsäkringar – Nordea – SEB Investment Management – Skandia – Storebrand Fonder – Svenska Kyrkan – Swedbank Robur – Öhman Fonder

Hallvarsson & Halvarsson

Hallvarsson & Halvarsson offers Sweden's largest combined expertise in trust building corporate communications. H&H has a complete set of services in financial communication, corporate communication, sustainability affairs and public affairs. H&H has assessed the 75 largest companies on Nasdaq Stockholm through nine questions in the areas of climate reporting, biological diversity and human rights.

A letter from Hållbart Värdeskapande

In times of conflict, political instability and social unrest, companies and long-term investors have a key role to play. A continued focus and firm commitment from our side, can be a stabilizing factor needed for the climate transition to continue. This also holds true when it comes to the world's ability to protect human rights and stop the rapid loss of biodiversity.

At COP26 in Glasgow 2021, countries stressed the urgency of action now. The global carbon dioxide emissions must be reduced by 45 % by 2030 and reach net zero around mid-century. But still, far from all policymaking is aligned with these conclusions. The sense of urgency on the one hand, and the current uncertainties on the other, makes it hard for companies and investors to navigate the landscape of this critical decade.

Asking companies and investors to act now, isn't that like asking someone to run its fastest into unknown territories? Maybe, but if policymaking can be both ambiguous and slow-moving, the science is clear: We don't have time to wait!

By looking ahead and beyond, companies learn how to navigate and take the next steps. Many have become

bolder when setting targets, not without obstacles, but if done right, with great rewards for people, planet, and profit.

About the report

This year's report zooms in on how companies address Scope 3 emissions in their monitoring, targeting, mitigation and reporting. We know this is much more challenging than working with Scope 1 and 2, but better practices are evolving.

We are also revisiting last year's theme – Human rights is everyone's business. In fact, in 2022 it is even more everyone's business, as the legislation is moving closer, while limited progress can be demonstrated on the ground. Also, new human rights risks are materializing in the low carbon economy where an eye on emerging value-chains and a just transition for all are important aspects.

Finally, we also check in to see how Swedish companies are dealing with biodiversity, which is closely interconnected with climate change. According to science even more critical, but also more challenging to measure and act upon.

Why is transparency so important?

We as investors are asking for even better disclosure because we want to better understand companies' risks and opportunities, and their compliance with new regulations. Recently, this has also become most relevant for our own legal compliance, as sustainability disclosure regulations are imposed also on the financial sector. But more importantly, because we are convinced transparency is a true catalyst of change and real-world impact. It provides all stakeholders an opportunity to form their views and engage in a dialogue on the way forward. Together this leads to an exchange of ideas, knowledge, and experiences.

A big thank you to the companies sharing their experiences in this report, and to Stockholm Environment Institute for the scientific angle on Scope 3.

The most common advice? Don't sit down and wait for perfection, start today!

Upstream, downstream, long-term

It has become more or less common practice for Swedish companies to set climate targets. We see a strong commitment to Science Based Targets, defining roadmaps for the near-term and long-term.

Companies more often look upstream and downstream their operations, with Scope 3 emissions as part of their targets.

Context and findings

It has become more or less common practice for Swedish companies to set climate targets. Concepts like net zero and carbon neutral are widely used when companies are talking about their long-term ambitions.

During 2021–2022 Science Based Targets Initiative (SBTi) and net zero commitments really took off. This can be linked to the COP26 in Glasgow in November 2021 and the sense of urgency that surrounded the event. Many parts of society, including companies, wanted to express their commitment, driven by insights about how much that must be achieved during this decade if we are to avoid the most catastrophic scenarios. SBTi, on their part, revised their criteria in early 2022 from previous 'well below 2 degrees alignment' to '1.5 degrees alignment', and introduced the new net zero standard. As a result, many early adopters of SBTi had to start revising their targets. According to the most recent update from SBTi around 90 Swedish companies (public, private and governmental) have set SBTi approved targets, and around 80 have committed to do so.

The survey

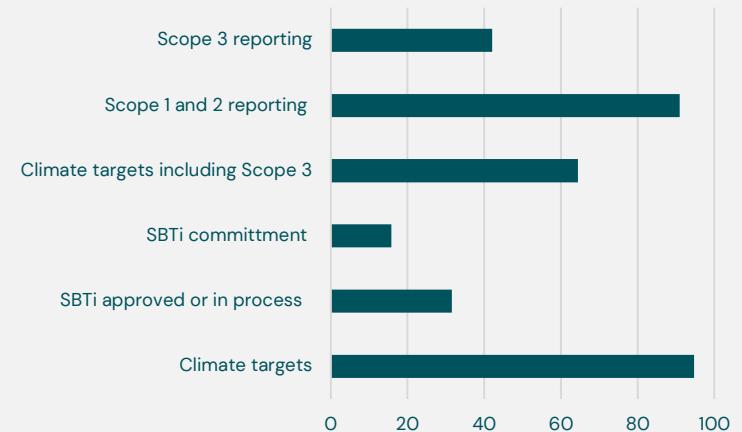
Companies are accepting science and the trajectories set by the Paris agreement as the norm, rather than using their own yardsticks. Among the 75 public

companies included in the assessment, close to 100 % had communicated climate targets of some sort, of which about one third were approved or were in the process of being approved by SBTi. Another 16 % had committed to set SBTs.

More and more companies are looking beyond their own operations. Until now, climate targets and roadmaps have been focusing on Scopes 1 and 2, but we can observe how Scope 3 is often included in target setting. Of the assessed companies, about two thirds are addressing Scope 3 in their climate targets, most of them in quantitative terms. However, there is a wide range of what Scope 3 emissions are included. There are lower hanging fruits, like business travel, while others are more challenging, such as the materials supply chain. Looking at climate reporting, a little less than half of the companies are reporting on their Scope 3 emissions, again with big differences in what is included.

As regards climate risk reporting, this has also become more common. Close to 50 % of the companies had a TCFD report in 2022. Out of these, two thirds were referring to at least two climate scenarios.

Share of assessed companies, %



48%

reports in accordance with TCFD

75%

With two climate scenarios

Scope 3: What, why and how?

In this section we learn about the basic scientific concepts of Scope 3, the importance of our efforts to reduce them, and finally some key aspects to consider when measuring and mitigating them.

We asked **Stockholm Environment Institute (SEI)** to share insights.

All content on the following pages is based on input from **Derik Broekhoff, Senior Scientist**, with wide experience of greenhouse gas accounting, emissions trading, and carbon offsets. It has been edited by **Aaron Maltais, Senior Research Fellow** and Programme Director of the Stockholm Sustainable Finance Centre.

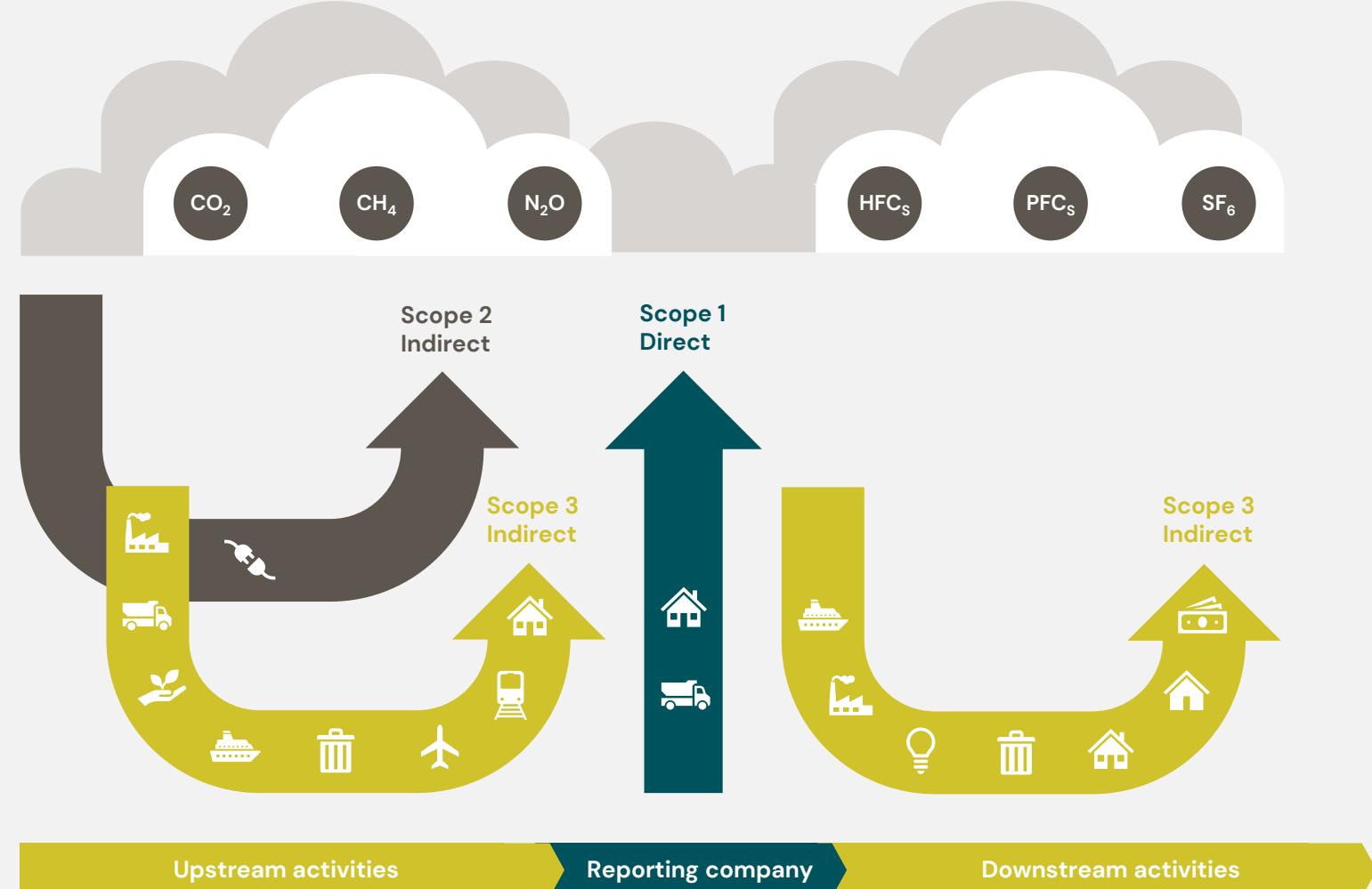
What do we mean by Scope 3 emissions?

Scope 3 emissions are generally outside a company's direct control, and different sectors have their own typical Scope 3 profile.

Scope 3 are: Emissions in the value chain that are not Scope 1 – direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization – e.g., emissions resulting from the use of fuel in production processes or from the delivery of services, or Scope 2 – the energy an organization purchase (electricity, heating & cooling, steam).

Scope 3 includes all other embedded/indirect emissions upstream and downstream the value chain.

"There is no one-size-fits-all approach to Scope 3. What does seem important is to identify your most significant Scope 3 emissions rather than to focus on covering as many categories of Scope 3 emissions as possible."



What do we mean by Scope 3 emissions? Cont.

Upstream

- **Embedded emissions in purchased Goods and Services**
- **Capital Goods – emissions embedded in the construction of machinery, a plant or office building**
- **Emissions from Upstream Leased Assets**
- **Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2 – Upstream e.g., well-to-tank emissions of fuels or transmission and distribution losses**
- **Emissions from Upstream/Downstream Transportation and Distribution**
- **Emissions from Business Travel & Employee Commuting**

Downstream

- **Emissions from...**
 - Use of Sold Products
 - Downstream Transportation and Distribution (e.g., shipping of goods)
 - Waste Generated in Operations – disposal in a landfill, recovery for recycling, incineration, composting, waste-to-energy (WTE) or energy-from-waste (EfW), wastewater treatment.
 - Processing of Sold Products
 - End-of-Life Treatment of Sold Products
- **Embedded emissions of...**
 - Franchises
 - Investments

Some sector examples

- **Agriculture** – Upstream emissions from feed production (for animals) and for fertilizer production. Downstream emissions from food processing, packaging, storage, and cooking
- **Cement production** – Upstream emissions from production of heavy-duty material, and processing and extraction of gas, coal, or biofuels. Downstream transportation of cement to retailers, transportation of waste away from processing plant, emissions arising from the use of buildings or roads.
- **Construction** – Upstream emissions from the production of construction materials, in the production of machinery, emissions from well-to-tank and transmission and distribution losses from fuels and electricity purchased. Downstream the operational emissions for a building once it is constructed (i.e., for the lifetime of the building) and the end-of-life emissions for buildings (e.g., decommissioning, demolition, and waste management).

Why are Scope 3 emissions important to include in climate strategies?

For most companies, the majority of the emissions lie upstream or downstream of their operations. CDP estimate that for the average company their upstream emissions are 11X their direct operational emissions.

Working to reduce these emissions creates demand for low-carbon products and services, which is key to incentivizing the transitions of companies and sectors. Reporting and setting targets on Scope 3 generates incentives for carbon intensive sectors/companies to improve emissions performance and to even change business models to low emissions solutions.

This also supports the scaling up of new low-carbon technologies and low-carbon substitutes. Working with Scope 3 emissions can help to transfer the costs of low-carbon production methods to end consumers in ways that reduce the economic barriers to transitions.

As climate policy tightens, working to reduce Scope 3 emissions may also contribute to reducing risks for companies in their value chains.

Different approaches – different impacts!

In managing Scope 3 emissions, it is important to distinguish between actions that directly reduce emissions (or increase removals) versus those that move emissions “off the books.” Both can have value.

Switching to low-carbon suppliers of goods or materials can reduce reported Scope 3 emissions and sends a signal to the market. However, this may do little to immediately lower market-wide emissions.

Working with suppliers to lower their emissions – installing heat pumps at commercial facilities, – for example, or helping farmers to optimize fertilizer use – can have a more direct and immediate effect.

Greater clarity in widely used Scope 3 accounting and reporting standards is needed to highlight these distinctions.

Either way, effectively managing Scope 3 emissions requires going beyond using default values or market-wide averages (which may be fine for reporting) and developing a more granular understanding of supply chain actors, their production methods, and associated emissions.

How can we manage and reduce Scope 3 emissions?

Reducing Scope 3 emissions can be anything from quite easy to extremely challenging. There is no one size fits all approach, but below you will find some key aspects to consider.

Managing Scope 3 requires that organizations:

1. Request disclosure from suppliers on their emissions (this of course can provide transparency to all the organizations the supplier sells to creating a positive externality).
2. Look for your hotspots in the value chain – for most companies the largest shares of emissions will be in purchased goods and services and use of sold products. Focusing on the highest areas of spending in the upstream can in some cases help to serve as a proxy.
3. Engage with suppliers and ask them to set targets for emissions reductions – be prepared to pay a green premium and address the implications for your own business model (e.g., what are the competitiveness implications of transferring green premiums to end consumers).
4. Collaborate with others in engaging with suppliers – this increases the pressure on suppliers but also improves the business case for suppliers.
5. Substitute purchased products, energy services, etc for lower emissions solutions.
6. Engage with your customers. Demonstrate for your own customers how your efforts with upstream Scope 3 emissions are also reducing their Scope 3 emissions. Provide data to customers.
7. Downstream, work with product design and logistics so as to increase energy efficiency, reduce waste, and/or reduce emissions both in the use and end-of-life stages of products.
8. For some sectors changing business models is necessary to meaningfully reduce downstream Scope 3 emissions (e.g., oil and gas and fossil-based transport sector).
9. Look for circular economy solutions to impact up and downstream emissions simultaneously (e.g., recycled and circular plastics reduce the emissions of the feedstock and end of life emissions).

Watch out for the 'fallacy of division'

Net-zero by 2050 is a global target. It is regularly inappropriate to simply transfer that goal down to individual entities. We can see this already at the country level where any sense of climate justice/fairness calls for wealthy states to implement much more aggressive mitigation trajectories compared to least developed countries. Achieving net-zero will require most operations to get as close to zero emissions as possible. At the same time, some companies and sectors that are implementing 'best practice' low-carbon solutions will need to grow rapidly/take market share and may also be increasing their absolute emissions including Scope 3.

Intensity vs absolute targets?

Addressing the fallacy of division raising the question of whether it makes sense to apply intensity or absolute targets for Scope 3. We want top climate performers to grow/take market share which speaks for an intensity target but at the same time it is absolute year on year emissions reductions that matter for the climate. Lowering intensity to zero will bring absolute emissions to zero, so the two goals ultimately align. Further thinking about if, when, and how intensity targets can be robustly aligned with Paris targets is needed.

How can we manage and reduce Scope 3 emissions? Cont.

Accounting issues

There are practical and theoretical challenges with accounting, but also solutions:

- *Practical – Scope 3 Traceability.* It can be difficult to know who the specific producers, providers, suppliers are that provide the goods, services, and capital equipment etc. a company procures. Especially where there are multiple, small producers involved several steps “upstream” (e.g., farmers providing food & agricultural products).
- *Practical – Resolution of Scope 3 accounting methods/data.* In some cases, default data or approximations may be used to estimate Scope 3 emissions due to lack of granular data on suppliers and/or lack of robust reporting systems. This may be related to traceability issues. However, even where it is possible to identify specific suppliers, Scope 3 data and accounting methods may lack the enough resolution and specificity to capture the effects of specific interventions they make to reduce emissions.
- *Theoretical – Exclusive claims.* Upstream suppliers may reduce their emissions but sell the right to claim the emission reductions to third parties as carbon offsets. For example, farmers optimizing their

fertilizer use might be able to generate carbon credits for N₂O reductions. Or, producers of green hydrogen may try to generate carbon credits associated with sale of their product. Or a company may fund emission reduction measures at a supplier’s facility, but the supplier sells goods to other companies, who may also try to count those reductions in their Scope 3. If other parties are claiming the emission reductions, can a company claim those same reductions in its Scope 3 inventory? (Or even in its Scope 1, in the case of using green hydrogen?) This is still somewhat theoretical but is a growing concern. No one has made any hard determinations on what the appropriate accounting practice(s) should be.

• *Solution – Cross-cutting: Improve supply chain data collection, tracking, and reporting.* Improved tracking and reporting systems could help with all three challenges. There are proposals, for example, to use distributed ledger technologies for tracking greenhouse gas emission attributes of products throughout corporate value chains.

• *Solution – For exclusive claim challenges: establish contractual claims to value chain reductions or removals.* For example, some companies have started putting contracts in place with suppliers that prohibit carbon credit sales associated with any

emission reductions they may achieve. This approach could be extended to address Scope 3 claims of other companies using the same suppliers. Important questions include whether a company funding an intervention at a supplier could claim all emission reductions achieved, or whether they must (or should) prorate reductions according to the proportion of goods/services they actually procure from the supplier. It is also not clear how to resolve situations where traceability is lacking.

- *Solution – For traceability and resolutions challenges: “book and claim” approaches, see table below.*

How can we manage and reduce Scope 3 emissions? Cont.

"Book and claim" approaches

Probably okay...

Quantify effects of interventions at traceable suppliers. For example, a company could fund installation of heat pumps in buildings of direct suppliers and quantify associated emissions reductions. Even though reductions might not "show up" in the company's Scope 3 (because sector-wide approximation methods or default data are used to calculate Scope 3), the company could still "book" the reductions against their Scope 3.

Might be okay...

Quantify effects of interventions at non-traceable suppliers. This is the same idea but undertaken at individual suppliers that are not clearly part of a company's supply chain (e.g., they produce the type of good the company procures, but it is not clear if the company is consuming goods produced by the specific supplier). The company would nevertheless book the reductions against their Scope 3 (and – in theory – establish an exclusive claim prohibiting other companies from claiming the same reductions).

Significant issues...

"Market-based" accounting using tradeable certificates. Under this approach, a company could procure a certificate associated with a unit of production for low- or zero-carbon energy, fuel, or products. This is analogous to the "market based" method for Scope 2 (electricity) accounting – where renewable energy certificates are booked as zero-emission power consumption – but applied to things like sustainable aviation fuels. The problem with this approach is that it creates a mismatch between what companies claim as reductions in their Scope 3 footprint and the actual reductions in greenhouse gas emissions achieved through certificate purchases. (In short, this is because most certificate purchases will not be associated with additional production.)

On the distribution of Scope 3 costs in the value-chain

In industrial sectors with high emissions, such as steel, cement, and plastics, technological and circular solutions are advancing rapidly but carbon pricing and market demand have not yet been strong enough to get these innovations to scale.

At the same time, the impacts on prices for end users buying complex products higher up in value chains are often much less than the price increases lower down in the value chain.

This creates a situation where more focus on Scope 3 emission by companies at the end of the value chain can help to create demand for green industrial products and costs can be transferred to end users is a way that is perceived as manageable.

Scope 3 in practice

Scope 3 conceptually includes a diverse range of sources of emissions that could be part of a company's value chain. In practice there are big differences between sectors and companies, both in terms of emission levels, and the distribution between upstream and downstream emissions. Hence approaches differ.

On the following pages, six Swedish companies share their experiences of working with Scope 3 emissions as part of their climate targets and reporting:

Castellum, Electrolux, Investor AB, Storskogen, Tele2 and Volvo Cars.

Case: Castellum

Filip Elland, Head of Sustainability

What is your general approach to Scope 3?

Castellum is one of the largest listed property companies in the Nordic region, engaged in property management, project development and transactions. The focus is on workplaces and logistics solutions. Important for Castellum has always been to focus on profitability. Perhaps a bit surprising for some, sustainability investments today do not contradict this goal, but rather contribute and generate returns well beyond other projects.

We started measuring Scopes 1 and 2 already in 2005. In real estate this is a relatively easy task, as the data is available. In 2016, after the acquisition of Norrporten, we accelerated our strategy. We established Science Based Targets, as one of the first in our sector and based the conviction that it would be material for the success of our business. As a consequence, we started to structure our Scope 3 emissions. Our target is to reach net zero by 2030, including Scope 3, and without offsetting. We wanted to string the bow and challenge our organization. However, we understand our success will depend on transitions in other sectors, such as the energy and cement industries.

95 % of our carbon footprint is in Scope 3, through the materials we build into our properties, new building and

"Build partnerships with key functions internally and externally, these are in the end the ones that will make things happen on the ground."

renovations. This is where our focus is. As for measuring and reporting, we concluded that we must use two perspectives: What is sufficient from an accounting and reporting perspective, and what is important from a climate mitigation perspective?

What strategies and methodologies do you use to address your most material Scope 3 categories?

From the start we have used The Green House Gas Protocol as our measuring and reporting framework. We immediately realized that some Scope 3 emissions would be extremely hard to measure. Business travel was easy, as our travel agency could provide data based on an average method, while emissions related to project development and renovations – the category Purchased Goods & Services – was the real challenge. For some of the big projects there were LCAs available, but for the hundreds of smaller projects and renovation much more complex.

For accounting and reporting purposes it is good enough to use less precise methods as a start, in our case spend based data with proxies based on EU average and available through an external database. Data accuracy has improved over the years, and in 2020, a new database was launched, with country-based averages. As a result, our reported Scope 3

emissions decreased. While spend based data is still dominating our Scope 3 accounting, we will step by step replace them with data from actual project monitoring.

What is your progress so far?

By 2021, we had reduced our reported Scope 3 emissions by 15 % compared to base year 2017. As mentioned, this is partly due to more accurate data, both spend based data and the introduction of real data.

And in fact, spend based data is useless for steering the organization towards better practices and real emissions reductions. For that reason, we have set up roadmaps with concrete measures that are driving emissions reductions on project level. In 2022, we are implementing the target that re-used and renewable materials must be a significant element in all projects, which will have a positive impact on real emissions.

Forward, for the bigger projects we will introduce reporting requirements, including emissions reporting. A baseline – sector average – is set for each of them, to measure progress. This will over time show in the aggregated Scope 3 numbers, although compared to spend based data will continue to dominate.

Case: Castellum, cont.

What are the main challenges?

- Reuse of building material is still rare, but one of the keys for our sector to tackle Scope 3 emission. The building and real estate sector has not been very successful when it comes to choosing sustainable materials. The circularity is extremely low.
- Figuring out how tenants can join our journey. We are now introducing climate neutral rental agreements where tenants are engaged in monitoring and in setting action plans for net zero.
- To scale up pilots. Substantial emissions reductions from building materials can only be achieved if we manage make the good examples of reuse and recycling common practice in the projects. It is important to show its attractiveness, both from an economic and aesthetic perspective.
- The capacity to deliver relevant data. Big projects with the big entrepreneurs, no problem. Smaller entrepreneurs need to build knowledge along the way.

What are your best tips to other organizations?

- Use established standards, such as the Green House Gas Protocol.
- Don't wait for perfection and try not to be overwhelmed by the measuring part of Scope 3 strategies. The important thing is to include all relevant sources of emissions from the start.
- Estimates, such as spend based methods, are good enough and help you identify future challenges at an early stage. They are also good enough for accounting and reporting purposes. Revise numbers as real data is available.
- Build partnerships with key functions internally and externally, these are in the end the ones that will make things happen on the ground.
- Measure progress quarterly, especially real data, and use scorecards to visualize. Regular feedback on performance is often an efficient way to self-governance. Who wants to be a laggard?

Case: Electrolux

Vanessa Butani, VP Group Sustainability

What is your general approach to Scope 3?

Electrolux first target including Scope 3 was defined in 2013. This target included Scope1+2, HFCs (Scope 1 & 3) and Use of Products (Scope 3). The Scope 3 target was based on LCA studies for several product categories. Building on this, a Science Based Target (SBT) was developed in 2017. The challenges included setting a target in line with the Paris agreement for Scope 1 & 2. The aim was also to have an ambitious Scope 3 target, that would be approved by the SBTi.

Electrolux makes and sells products that use electricity during their use phase in consumers' homes; this is where most of our climate impact lies. Our SBT set-up included a projection on electricity mix improvements towards our target year 2025. Sales projections were also included in the target setting. The major challenge for Scope 3 is the fact that standards for measuring energy consumption during use and related impact are not available globally. To address this challenge, we use local measurement standards and apply them to areas where standards are lacking.

What strategies and methodologies do you use to address your most material Scope 3 categories?

Initially we based our Scope 3 category selection on LCAs. Our Scope 3 is to a very high degree dependent on category 11 "Use of sold products" (approx. 85% of total emissions). We calculate the energy footprint, and this is then converted into CO₂ emissions. The improvement measure implemented is to set targets on product energy efficiency. Improving product energy performance is vital to reaching our targets.

What is your progress so far?

For Scope 3, our SBT result in 2021 was around 20% improvement compared to 2015 (our target is to reach 25% by 2025). We are in the process of defining a new target due to improvements in data quality, increased Scope and the fact that Electrolux was close to achieving its Scope 1+2 2025 target already in 2021.

What are the main challenges?

- Deciding on electricity emission factor development scenario

"Use your target to educate, involve and motivate the organization."

- Scope
- Data quality and availability
- Level of targets (demands estimations of both production volumes and product performance improvements over a long period with much uncertainty and dependency on external factors)

What are your best tips to other organizations?

- Get buy-in and support from management
- Start working on a target. Use LCA methodology to find material Scope 3 categories and focus on the most material areas as a starting point. Going for a SBT is also advised as this will give an external endorsement for your target. However, this will require a full mapping of the total carbon footprint. SBT says that "if your Scope 3 exceeds 40% of the total carbon footprint you need to set a target covering 2/3 of Scope 3". As pointed out this can be done through a mix of estimation and calculations. Finally, seek external support and endorsement.
- Use your target to educate, involve and motivate the organization.

Case: Investor

Viveka Hirdman – Ryrberg, Head of Corporate Communication & Sustainability

What is your general approach to Scope 3?

Investor, founded by the Wallenberg family in 1916, is an engaged owner of 24 high-quality, global companies. We have a long-term investment perspective and a buy to build strategy. Through board participation, as well as industrial experience, our network and financial strength, we work continuously to support our companies to remain or become best-in-class.

On a global scale we are in the midst of two major transformative shifts, digitalization and sustainability. We believe that companies must invest in and further speed up the transformation to mitigate risks and act on business opportunities. Sustainability – delivering on our ESG targets – is as a strategic priority and thus integrated in our value creation plan for each individual portfolio company. Investor is committed to climate targets aligned with the Paris Agreement (1.5-degree ambition) and has set a net zero target to be achieved by 2030 for Scope 1 and 2. We joined the UN 'Race to Zero' initiative ahead of COP26 through the Exponential Roadmap Initiative and set an ambitious portfolio target.

How do you address your most material Scope 3 categories?

We conducted a screening to identify the different Scope 3 categories and to prioritize we accessed the level of control and strategic importance. As a large owner, the most significant emissions within Scope 3 are the emissions from our portfolio companies, representing 99.97 % of the emissions.

The target for the portfolio companies is to reduce the aggregated emissions from the portfolio by 70 % by 2030 compared to 2016 (in absolute figures). We encourage the companies to align their climate targets with the Paris Agreement and to commit to Science Based Targets when relevant.

What is your progress so far?

The reduction of emissions was 49 % 2021 compared to 2016. Meaning that the emissions from our companies have been reduced by more than 1,000,000 tonnes of CO₂e since 2016.

The reduction on a portfolio overall level is remarkable

and is truly a big achievement by our companies. It is a challenge to reduce emission in absolute figures and at the same time grow the business. We follow-up the progress and see that the companies actually manage to reduce their emissions in relation to revenues i.e., decoupling (lower carbon impact and higher revenues and economic results).

With the high focus on this for many years, the remaining reduction to reach the target is more challenging. Sustainability remains high on the board agenda with continuous follow-up on the companies' progress driven strongly by how they prioritize investments in innovation. Another example of our progress so far, is that 83 % of our portfolio companies now have aligned their reduction targets with the Paris Agreement and 33 % have committed to approved Science Based Targets.

"Being such a large owner, we can have significant impact. By 2021, 83 % of our portfolio companies had aligned their targets with the Paris Agreement compared to 23 % in 2019."

Case: Investor, cont.

What are the main challenges?

One challenge has been data, even though the quality in data has improved over time, more precise data is needed. However, if we would have waited for 'perfect data', we shouldn't have started yet. Important for us have been to start and continuously improve over time. As long as you are transparent in the reporting it is ok to correct historical data when more precise data or better emission factors are available.

What are your best tips to other organizations?

- Base it on materiality
- Set ambitious and measurable targets
- Be transparent

Case: Storskogen

Amelie Nordin, Head of Sustainability

What is your general approach to Scope 3?

Storskogen is an international group of businesses across Trade, Industry and Services. It consists of around 150 business units, divided into 14 business verticals operating under their own brand names in 27 countries. It spans from very small companies up to mid-sized. Storskogen is a young company, only 10 years old and we went public in 2021.

By then the company had just finished its 2021 climate statement for Scope 1 and 2, supported by an external consultant, and took the next step to pick the lower hanging Scope 3 fruits, such as business travel, office material and IT-related emissions. We also tested to measure emissions related to waste, which was quite challenging. By then we had the same questions for all companies, however, there are huge differences between them, in terms of materiality.

We established a climate strategy to halve Scope 1 and 2 emission intensity. We had high ambitions, and committed to Science Based Targets Net Zero, as the first in our peer group. This meant we had two years to set a Scope 3 target. This has been a big thing during 2022, as the Net Zero criteria means we have to cover

at least 90 % of our Scope 3 emissions. With the help from an external consultant, we are now mapping Scope 3 per business area, and in spring 2023 we plan to set our Scope 3 baseline.

What strategies and methodologies do you use to address your most material Scope 3 categories?

We use a common data platform to map emissions and other sustainability data. All subsidiaries can log in and register their data, and this is also compulsory for all Storskogen holdings. However, we have found that especially for the smaller companies this has become totally overwhelming, given the amount of data. We had to take a step back and bring in some optionality. Also, we have said to our companies that this year you make your best effort, and 2023 it becomes compulsory to report. We have also said that it is ok to use spend based data, as estimates.

What is your progress so far?

It is work in progress with the mapping to set the baseline and to tailor-make the system, so it works for our whole organization. We also have to quality check the reported data. We have been a bit on the ambitious

"We have been a bit on the ambitious side, but remember, there are no short cuts, this is how Scope 3 calculations covering 90 % of emissions must be done."

side, but remember, there are no short cuts, this is how Scope 3 calculations covering 90 % of emissions must be done. We will however look at it in a pragmatic way with an implementation plan starting with our companies with largest impact.

What are the main challenges?

- Our small and mid-sized companies have limited resources.
- The enormous level of detail needed to do a proper Scope 3 calculation.
- To motivate people and organizations to contribute – what is the business case?

What are your best tips to other organizations?

- Get started! Do not wait for the perfect solution, give yourself the time to find one that works for you.
- Show the business case. Design the process so that added value is created – some of our companies have seen customer value and ways to position themselves for the future.
- Offer support and training along the way.

Case: Tele2

Erik Wotrich, Head of Sustainability

What is your general approach to Scope 3?

During the last few years, Tele2's Scope 1 and 2 emissions have decreased greatly due to increased sourcing of renewable electricity – 94% decrease compared to 2019. As a result, the main sources of Tele2's remaining emissions are now in our value chain (Scope 3).

Based on a materiality analysis for Other indirect (Scope 3) GHG emissions, Tele2 has identified nine categories to be material for Tele2's Scope 3 emissions. In scope 3, the main source of emissions is from purchased goods and services (75%+), which means they are mainly caused by our suppliers.

Tele2's Scope 3 targets are:

- Tele2 commits to reduce Scope 3 GHG emissions 60% per subscription by 2029 from a 2019 base year.
- Tele2 commits to reduce absolute Scope 3 GHG emissions by at least 90% by 2035 from a 2019 base year.

What strategies and methodologies do you use to address your most material Scope 3 categories?

Supplier engagement is key to both measuring and mitigating Scope 3 emissions from purchased goods and services. When possible, Tele2 has collected data through supplier surveys on emissions per product or per material use in production. One of the main activities to reduce Tele2's Scope 3 emissions is engaging with suppliers on setting emission reduction targets.

Emissions from the use of sold products is calculated based on the number of revenue generating units (RGUs) per country, where mobile RGUs are assumed to represent smartphones and fixed RGUs to represent e.g., routers. Energy use from devices is then calculated and emissions calculated by applying the respective country grid mix emission factor. To mitigate these emissions, we have planned activities to inform our customers about how to use the products they purchase from us in a way that reduces the climate impact of use of sold products, for instance encouraging the use of renewable electricity whenever possible.

"While we are able to use our influence to reduce emissions, we have less control over the speed at which it happens."

Of course, supplier engagement is also important in reducing the impact from use of sold products, for example by pushing for more energy efficient devices. A complete description of our calculations of Scope 3 emissions can be found in Tele2 Annual and Sustainability report 2021, p. 65

Another important aspect in addressing supplier Scope 3 emissions is through the engagement in our global industry association, the GSMA. By joining forces with other telecommunication operators, we collaborate on target setting, industry standards and roadmaps that becomes forceful when setting demands on our manufacturers.

What is your progress so far?

Compared to our base year (2019), Scope 3 emissions decreased by 2.5% in 2021.

Case: Tele2, cont.

What are the main challenges?

Value chain complexity. With a widespread and complex value chain, Scope 3 emissions are in many cases far from Tele2's control or influence. While we are able to use our influence to reduce emissions, we have less control over the speed at which it happens.

What are your best tips to other organizations?

Don't wait – get started! Start by forming a baseline and determine which the most material parts of Scope 3 is for your organization, only then can you determine which actions you have to take, and in which order you should take them.

Case: Volvo Cars

Timo Paulsson, Head of Sustainability Governance

What is your general approach to Scope 3?

In 2019 we did a comprehensive sustainability strategy work which included to calculate the base line for our total emissions including Scope 3 emissions. The identified Scope 3 emissions were and still are the biggest contributor to our overall total emissions based on the amount and types of material that goes into our cars (Scope 3 Upstream Indirect emissions – purchased goods and services) and our tailpipe emissions (Scope 3 Downstream Indirect emissions – Use of sold products). Overall, Scope 3 accounted for 99% of our total emissions and we knew we needed to address them as the highest priority.

We then set high-level targets:

- Total absolute emissions: Be a climate neutral company by 2040
- Total emissions per manufactured car: We want to decrease them with 40 % from 2018 to mid-decade (2025)

We also set sub targets, including Scope 3 (2018–2025):

- Tailpipe emissions/car (use of sold products) to be reduced with 50 %. Important to note that this is a tank-to-wheel target, i.e., it does not contain electricity mix when charging since we see this as out of our control.
- Operations emission/car to be reduced with 25 %.
- Supply chain emissions/car reduce with 25 %.

In 2020 we proceeded with setting SBTi verified targets:

- For 2030: 60 per cent reduction of absolute Scope 1 and 2 GHG emissions (baseline 2019)
- For 2030: 52 per cent reduction of Scope 3 GHG emissions from use of sold products per vehicle kilometer (baseline 2019) – note that this is a well-to-wheel target, including electricity mix in charging

What strategies and methodologies do you use to address your most material Scope 3 categories?

For use of sold products it was evident that hybrids

"Scope 3 accounted for 99% of our total emissions and we knew we needed to address them as the highest priority."

and fully electric vehicles (BEVs) would address the tailpipe emissions and we took a corporate decision to become a 100% BEV company by 2030 and 50% BEV sales mid-decade and this is a key corporate target we are tracking monthly.

But in order to gain full emissions reductions from a BEV you need to charge it with renewable electricity and while we have not set an internal target on this, we highlighted it as an industry issue by performing Life-cycle assessments (LCAs) on our BEVs and compared with a corresponding Internal Combustion Engine (ICE) car, you find the full XC40 Carbon footprint (LCA) report [here](#).

For purchased goods and services there are number of strategies and methodologies and many of them relates to identify the materials with the most emissions impact like steel and aluminium and address those step by step. For instance, though increase of recycled materials (which we have set separate targets on) or introduction of fossil free steel and low emission aluminium.

Case: Volvo Cars, cont.

Besides highlighting challenges of charging a BEV and key materials the LCA also highlights the challenges with the BEV batteries which are carbon emissions intense to produce. The increase weight is another challenge since it also drives emissions with more materials used meaning a BEV car leaves our factory with a higher carbon footprint than an ICE today.

All progress is very much depending on close collaboration with suppliers, setting targets towards them on key areas (such as tier 1 should be 100% renewable energy by 2025) and putting demands on emissions disclosures and ESG transparency, for instance though requiring CDP Supply chain participation. We also utilize our mandatory Code of Conduct for Business partners addressing environmental focus and key areas.

Emission data quality and accessibility is another focus area since a lot of the emissions in Scope 3 are based on emissions factors and estimates throughout the supply chain and in order to improve data quality all tiers in the supply chain needs to report.

Also important is cross industry collaboration in carbon intensive sectors where we, or the automotive sector, are not strong enough to push development forward

but are depending on more industries joining forces, for instance on fossil free steel.

We have implemented CO2 performance steering through-out the company to track CO2 in the same way we track financial performance, as part of that we have also set an internal carbon price of 1000 SEK/t CO2.

What is your progress so far?

For FY2021 reporting year we have reduced 9.5 % of total emissions/car versus baseline year 2019, mainly driven by Tailpipe (use of sold products) reduction of 21.6 %. For supply chain emissions we unfortunately see an increase of 16.8 % versus baseline due to increase in share of electrified vehicles, and due to many ongoing reduction activities have still not come into effect in our cars.

What other challenges do you face?

The complexity and size of our supply chain making it hard to gather data. Also, access to renewable energy and electricity globally makes it difficult for suppliers to become 100% climate neutral. Another dimension is the importance to safeguard human rights throughout the whole value chain. As one example, many of the

minerals in the battery like cobalt and lithium, comes from mining in areas with higher risk for human rights abuses, therefor we for instance use blockchain to increase traceability of the materials and collaborate with third party organizations like Responsible Business Alliance to safeguard towards human rights abuses in high-risk areas together with other due diligence activities.

What are your best tips to other organizations?

- Start mapping Scope 3 emissions as soon as possible, even if you do not have data available. Start by making estimates and then refine those when you learn more, it is a constant improvement process.
- Start reporting to third party ESG rating agencies like CDP, the questions they ask help you make progress and identify key areas.
- Collaborate with your value chain partners like suppliers and distributors.
- If needed get external help to get started and avoid getting stuck.
- For more advanced companies, start doing LCA's to get more in depth understanding of the product carbon footprints.

Human rights is – even more – everyone's business

We are revisiting last year's theme 'Human Rights is Everyone's Business'. The regulatory environment around human rights and social safeguards is

tightening. For companies to be proactive is not just the right thing to do, but increasingly a mitigation of legal risks.

Context and findings

This section is a follow-up of the assessment section of last year's report Human Rights is Everyone's Business. Among the companies included in the survey, there has been limited progress since last year. This underlines the need for companies to step up their efforts.

In 2011, the UN Guiding Principles on Business and Human Rights (UNGPs) were unanimously endorsed by the UN Human Rights Council. For the first time in history, businesses had to adapt their businesses to respect human rights – and to do so, human rights due diligence became an important tool to monitor and manage human rights standards in their supply chains.

However, it has at times been challenging for companies to understand their human rights risks in their direct operations or their supply chain. Companies that have embraced this challenge often find that transparency and consistent monitoring is key to truly mitigate human rights risks.

Over the last decade, the level of knowledge and understanding has increased, and many companies have adequate policies and processes in place to ensure the value chain is informed. To manage the risks

companies have increased their requirements and dialogue with their stakeholders but there is still a need and expectation for companies to increase transparency and to manage the risks in accordance with the UNGPs. The interest and will to take responsibility are clear, now the relevant processes need to be strengthened to respect human rights and to avoid negative impact.

Ten years on, we can see that the momentum is growing. Several countries have incorporated human rights due diligence aspects into hard law, including the UK with its Modern Slavery Act (2015), France (2017), the Netherlands (2019), and more recently Germany (2021).

We also see that the European Union has started to take steps to push companies to embed human rights into business decision-making. In 2019, the EU adopted the sustainability-related disclosures directive, followed in 2020 by the social minimum safeguards included in the EU taxonomy regulation as well as by the recent law on Mandatory Human Rights Due Diligence. And as recently as September, the Commission proposed to prohibit products made with forced labor on the EU market. As investors, we believe

that human rights are an essential priority for global companies in the 21st century. We are convinced that transparent reporting of a company's strategy and its management of human rights risks and opportunities can contribute to a stronger value chain, and hence, better business and in the longer perspective both better returns and a better world. The mandatory human rights due diligence law will provide the level of transparency investors need and is an important step to protect the human rights of all individuals –we, therefore, urge all Nordic companies to step up their efforts to fulfill its requirements when it comes to human rights.

The survey

The assessment included a follow-up of 4 questions from last year's focus report on business and human rights and three new questions focusing on risk, targets and results.

Continued

Context and findings, cont.

The following questions were included in the human rights assessment for 2022:

- Does the company provide training for their employees on human rights related risks?
- Does the company report on major legal or code of conduct breaches or incidents?
- Does the company report on actions of improvement undertaken to address breaches?

In total, 75 companies were included in the assessment. In 2021, 80 companies were included in the assessment. To allow year-on-year comparison the results for 2021 and 2022 are presented for each question.

An overall conclusion is that there has been limited progress since last year's human rights assessment. The assessment does not provide any information on the reasons for the slow progress but it underlines the need for companies to step up their efforts. However, the upcoming mandatory legal requirements when it comes to human rights due diligence will see the activities of companies intensify in this area. The pending new requirements could be a reason why some companies report limited progress since last year.

The new due diligence legislation is intended to impose

new comprehensive environmental, social and corporate governance due diligence requirements on the value chain of companies established or operating in the European Union. The obligations apply to both EU and non-EU companies and will affect non-EU companies dealing with companies operating in the EU.

Companies whose activities fall under the Scope of the legislation are required to carry out comprehensive due diligence of their operations and direct and indirect business relationships, upstream and downstream, in and outside of the EU and publish a statement that they have identified no potential or actual risk to human rights, the environment or good governance. The statement should include the data and methodology used.

By imposing an EU mandatory due diligence framework requiring companies to take responsibility for their supply chains, it intends to reach business practices around the world and promote a level-playing field for all businesses in the EU.

16 % of the assessed companies reported that they conduct human rights due diligence. This is just a minor increase from the 2021 assessment where 15 % reported that they conduct a due diligence. The assessment in itself does not provide any information on the slow progress when it comes to due diligence but it underlines the need for companies to step up

their efforts. None of the companies covered in the assessment has published a statement as proposed in the new legislation.

16%

performs Human Right Due Diligence assessments

76%

conducts training of human rights risks

Biodiversity, the second wave

We also check in to see how Swedish companies tackle Biodiversity, a critical issue for the life and climate on this planet, where science is clear but monitoring is tricky, and solutions harder to define and implement.

Context and findings

The loss of biodiversity has climbed fast the past two years and has become at least as important as limiting carbon emissions. Sometimes it is illustrated as a second wave, higher and with more severe consequences than rising temperatures and other effects of climate change.

In fact, biodiversity was on the top of the agenda at COP26, UN climate conference 2021. Over 120 countries that represents 85 % of the forests globally, agreed on to stop the deforestation by 2030. Furthermore, the UN biodiversity conference in Kunming 2021 delivered a clear message, that the climate crisis cannot be solved without addressing the biodiversity loss.

Unlike science within emissions of gases, the biodiversity science is not always as consistent. In Sweden for example, there has been a debate on how to manage the forest in the most sustainable way for biodiversity and climate. Conflicts of interests occur. In many cases cause and effect can be difficult to define and act upon.

Biodiversity has raised the awareness of the double materiality concept which the incoming TNFD framework use. Double materiality means that companies including asset managers, should not only focus on its impact on climate and ecosystems, but

also the impact climate and ecosystems have on the organization. This is, in the end, a huge financial risk that companies need to address. Currently, financial institutions and companies do not always have the information they need to understand how nature impacts the organization's immediate financial performance, or the longer-term financial risks that may arise from how the organization, positively or negatively, impacts nature.

According to the World Economic Forum 44 trillion USD of value creation, which is over a half of world's total GDP, is dependent on biodiversity and natural capital.

Biodiversity is a local problem, which means there is no one size fits all solution. However, there is a relatively undebated root cause behind this huge loss in nature: The increasing number of people on the planet, that eat and consume. The development of more sustainable products and practices in agriculture and forestry is key, as well as a thoughtful use of productive lands and the protection of remaining natural ecosystems.

The sectors that impact the biodiversity loss the most are companies that are dependent on the natural capital. Industries like fishery, agriculture, energy, mining, infrastructure, forestry, and tourism. To secure long-term financial results, these companies must have an interest in restoring and keeping the nature and

biodiversity.

Forward, the emerging criteria for Science Based Targets for Nature can provide useful guidance for companies.

The survey

According to our survey, 32 % of the 75 assessed companies have identified biodiversity as a risk. Out of the 32 %, 88 % work actively to preserve the biodiversity. The sectors with the highest share that identify biodiversity as a risk, are basic materials, industrials, real estate, consumer staples and financials.

One of these companies is Essity, a global hygiene and health company. Essity's main raw material is paper and is therefore dependent on healthy forests and functioning ecosystems for its long-term survival. On the next page you can read more about their work on biodiversity.

Case: Essity

Why is biodiversity a risk to your company?

As a leading global hygiene and health company, Essity recognizes the risks and challenges of biodiversity loss. We recognize that our business is dependent on healthy and functioning ecosystems for our long-term survival and future success. With growing biodiversity risks and challenges, we want to do our part and contribute to the regeneration of ecosystems and prevent further biodiversity loss.

In what ways does Essity impact the nature?

Our impact on forest biodiversity is primarily through sourcing of wood-based fresh fiber. Thus, responsible sourcing is central to Essity and sustainable forest management is an integral part of our fresh fiber sourcing. This means that we require our fresh fiber suppliers to maintain and safeguard the principles of biodiversity and forest conservation.

And in what ways does nature impact Essity?

Nature consideration and protection of biodiversity by responsible management is a priority for Essity. As a global user of both fresh and recycled wood-based fiber materials, Essity is dependent on healthy and

resilient forests. And our business is impacted by biodiversity in all parts of the value chain.

What is Essity doing to preserve the biodiversity and the main challenges?

Biodiversity is vital for environmental and human health and well-being, and our business impacts biodiversity in all parts of the value chain – especially through our activities related to sourcing of raw materials, greenhouse gas emissions, water usage and effluents, and also leakage of waste, especially plastic waste. We have initiatives and actions in place in all these areas, some since long, and as of 2021 biodiversity is more formally integrated into our overall risk management process. We also act through our brands to make sustainable choices easy for our customers and consumers. Our brands are at the heart of Essity's sustainability ambitions and lead the way on our journey to reduce and prevent further biodiversity loss. While each brand has its own challenges and opportunities, we work together to achieve the company goals.

"With growing biodiversity risks and challenges, we want to do our part and contribute to the regeneration of ecosystems and prevent further biodiversity loss."

Below are Essity's efforts related to biodiversity and how we contribute to a more sustainable and circular society:

- Responsible sourcing of wood based fresh fiber, with a strong focus on sustainable forest management and a 100% FSC certification target for all wood based fresh fiber derived products and packaging (outcome 2021: 98%)
- Reducing GHG emissions in the whole lifecycle
- Efficient water usage
- Preventing waste and securing proper waste management after use
- Sustainable innovations
- Strong emphasis on collaboration with our entire value chain in this area

Case: Essity, cont.

Any tips for other companies on how and where to start?

It has been essential for our environmental work to start with a life cycle perspective to secure that our sources are responsible, produced in a resource efficient way and that we develop solutions that are both low on carbon and low on waste.

We are also securing responsible sourcing of all renewable fibers or plastics with a relevant certification. The certifications include relevant biodiversity aspects such as managing the forest and plantations in a responsible way, maintenance of high conservation value forest as well as indigenous people's rights. This means that we are measuring what we do to continuously improve our environmental performance through our Sustainability targets but more importantly that we integrate it in our daily work and operations.

We also believe collaboration is a key place to start in order to reduce waste and participate in discussions and initiatives across the entire value chain to promote the implementation of waste systems that encourage circularity.

[Here](#) you can read more about the Essity Policy Position on Biodiversity.

Hallvarsson & Halvarssons assessment

The assessment: Hallvarsson & Halvarsson

H&H has assessed the annual and sustainability reports from the 75 largest companies on NASDAQ Stockholm. The analysis was based on nine questions, covering climate reporting, frameworks, human rights and biodiversity.

- Does the company report on its GHG emissions?
- Does the company report on climate neutrality target?
 - If yes, is the target approved as a science based target?
- Does the company report on its taxonomy eligibility?
 - If yes, in what way?
- Does the company report biodiversity as a material topic and/or risk?
 - If yes, does the company take action in preserving biodiversity?
- Does the company implement TCFD's recommendations?
 - If yes, is two climate scenarios assessed?
- Does the company conduct Human Rights Due Diligence?
- Does the company provide training regarding human rights risks for employees?
- Does the company report on:
 - human rights related risks?
 - human rights related targets?
 - its performance on human rights targets?
- Does the company report on grievances and breaches related to the Code of Conduct?

Climate reporting

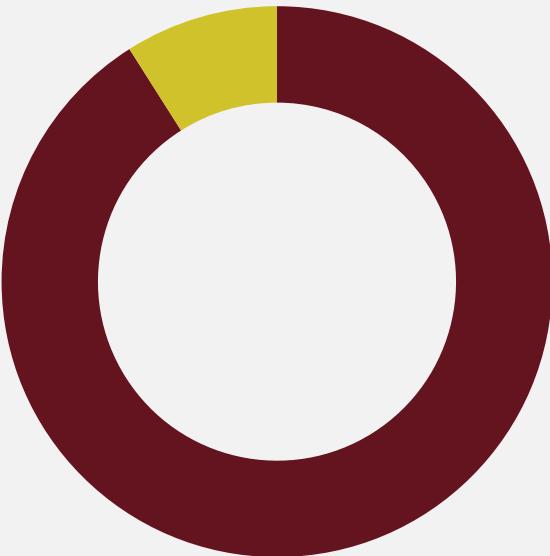
Companies of all sizes and industries are recognizing the need to reduce carbon emissions and address sustainability their own operations and the supply chain. However, climate action is a journey that requires both short-term and long-term strategies and tangible actions.

The foundation for any efficient climate action strategy is to track, allocate and accurately measure your carbon emissions. Understanding the carbon footprint and the different types of emissions, classified as Scope 1, Scope 2, and Scope 3, is a crucial step to reducing the organization's climate impact and achieving climate action goals.

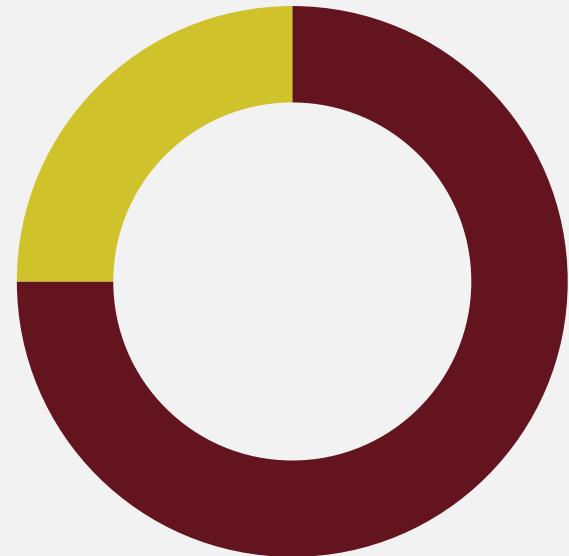
Scope 1 emissions are direct greenhouse (GHG) emissions from sources controlled or owned by an organization. Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Nine out of ten companies reports on Scope 1 and 2 emissions.

Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain. Such emissions often represent the majority of an organization's total GHG emissions. 75 percent of the assessed companies reports on Scope 3.

Scope 1 & 2



Scope 3



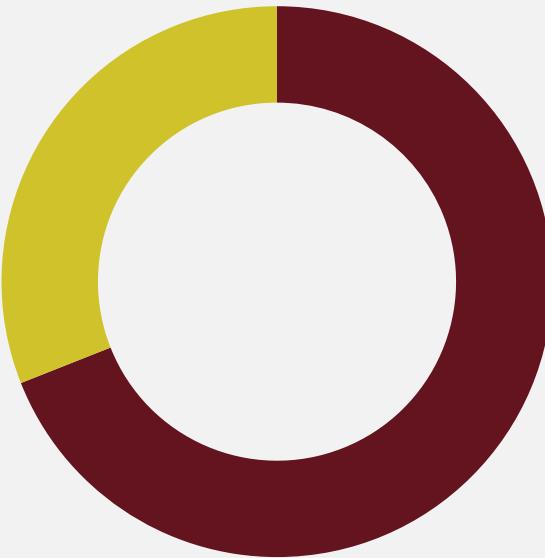
Climate neutrality reporting

The EU aims to be climate-neutral by 2050 – an economy with net-zero greenhouse gas emissions. This objective is at the heart of the European Green Deal in line with the EU's commitment to global climate action under the Paris Agreement.

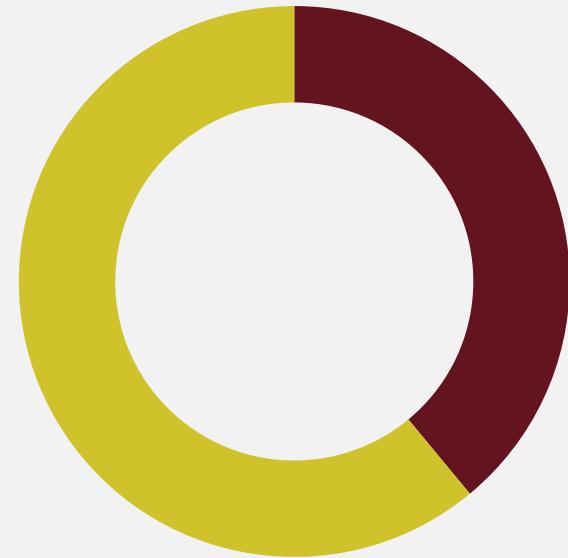
Climate neutrality refers to achieving net zero greenhouse gas emissions by balancing the emissions so they are equal to (or less than) the emissions that get removed through the planet's natural absorption. A key component towards a fossil-free future is the corporate reduction target. Approximately seven out of ten companies has set these targets, from 2030 or onwards.

39 percent of the assessed companies has set Science Based Targets (SBT). SBT is a method for companies to put scientifically based climate goals in line with the Paris Agreement and provides target setting methods and guidance to companies to set science-based targets in line with the latest climate science.

Climate neutrality target



Approved SBT



EU Taxonomy

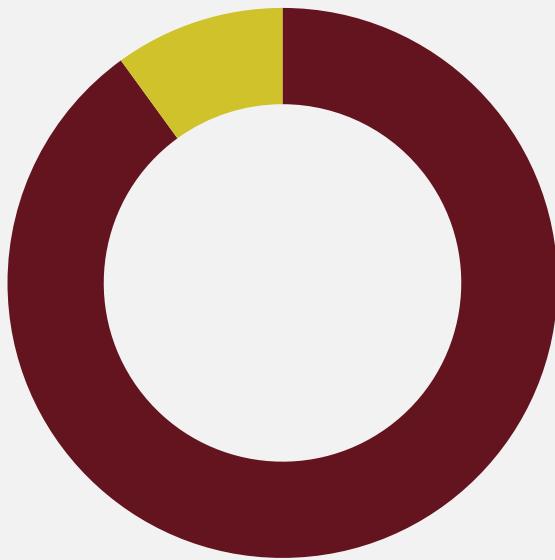
The EU Taxonomy has been described as “a tool to help investors, companies, issuers and project promoters navigate the transition to a low-carbon, resilient and resource-efficient economy”.

The taxonomy is regulatory classification system, establishing a list of environmentally sustainable economic activities, that makes it possible to define the environmental performance of several economic activities across several industries.

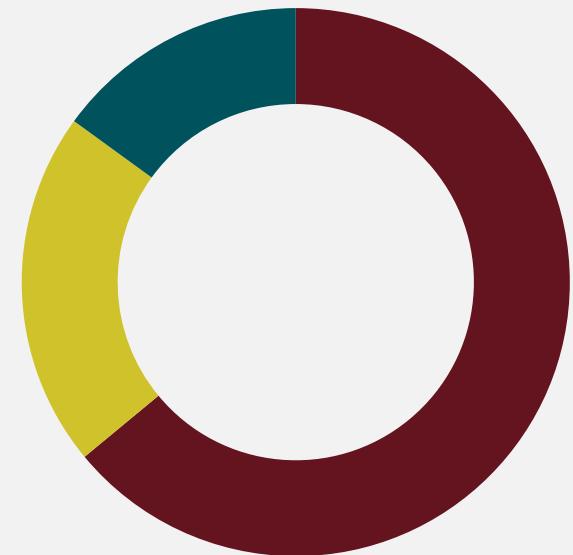
Included in the Taxonomy are defined requirements corporate activities must meet to be considered sustainable from an environmental perspective. The regulation requires companies of certain size to report on their business activities to ensure they are aligned with the Taxonomy's definition of sustainable.

90 percent reported their economic activities as taxonomy eligible, a majority of which in a table.

Taxonomy eligibility reported



Reporting of eligible activities



Biodiversity

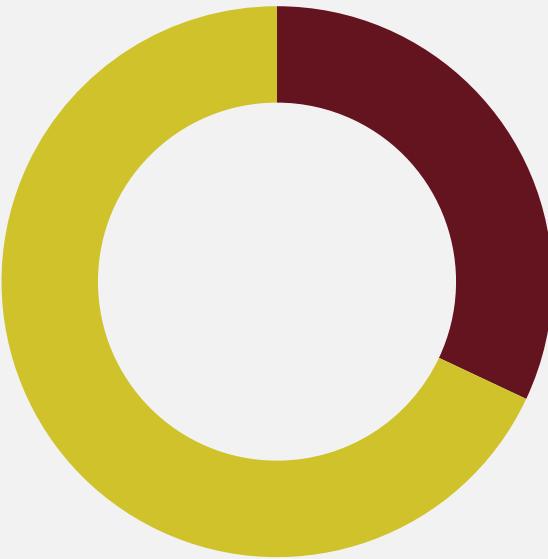
The European Commission states that “We cannot address biodiversity loss without tackling climate change, but it is equally impossible to tackle climate change without addressing biodiversity loss. Protecting and restoring ecosystems can help us reduce the extent of climate change and cope with its impact”

Biodiversity directly impacts livelihoods and income for billions of people, yet it is underestimated in its value. It underpins nature’s ability to support a healthy environment and export earnings, gross domestic product and jobs in a wide variety of economic sectors from tourism to agriculture.

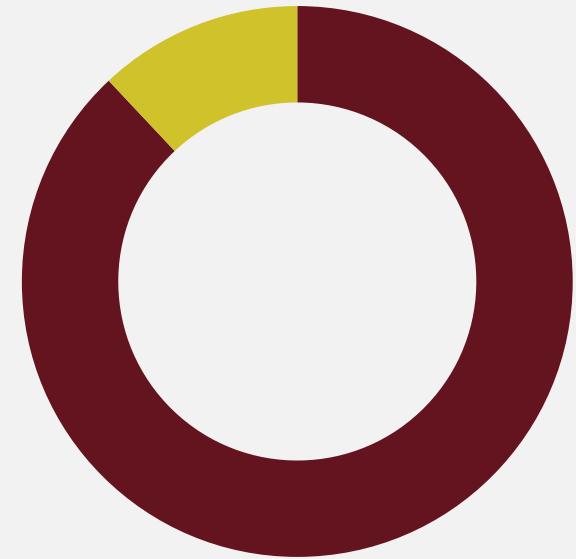
The impacts of biodiversity loss are severe and stretches far beyond the direct loss of animals and plants. It contributes to food insecurity, exacerbates climate change, destabilizes communities and affects human health. Protecting and restoring biodiversity and ecosystems contributes to climate change mitigation and adaptation. Conversely, actions to mitigate climate change also contribute to the stability of ecosystems.

32 percent of the assessed companies reports on biodiversity as a material topic, of which 88 percent has taken action to preserve biodiversity in their operations.

Biodiversity reported as material topic and/or risk



Companies that also take action to preserve biodiversity in its operations



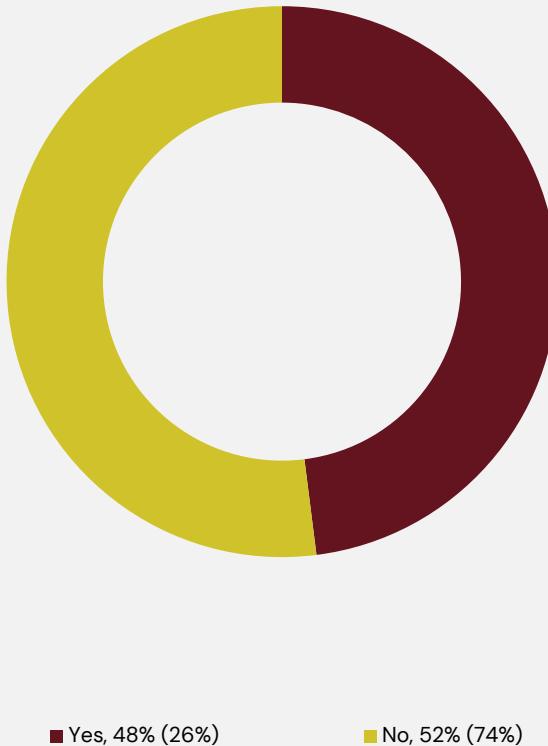
TCFD reporting

The Task Force on Climate-Related Financial Disclosures (TCFD) was created in 2015 by the Financial Stability Board (FSB) to develop consistent climate-related financial risk disclosures by companies, banks, and investors in providing information to stakeholders.

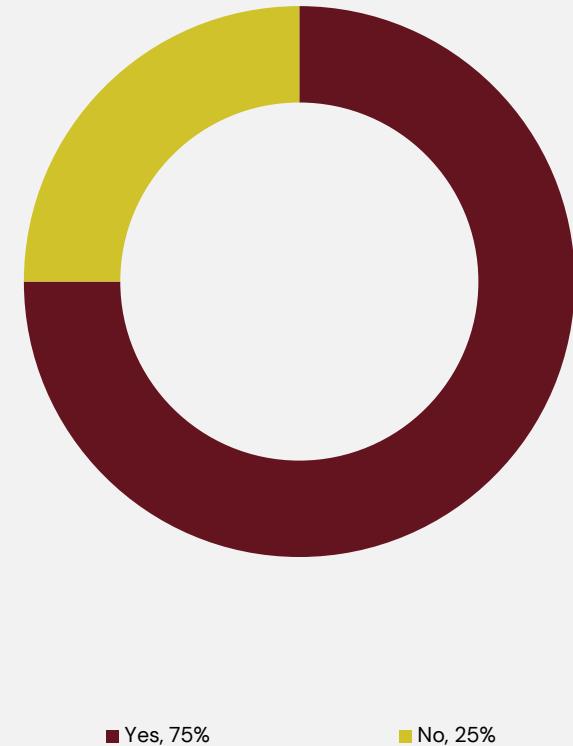
As companies and investors increase their understanding of the financial implications of climate change, markets will be better equipped to steer investments to more sustainable and resilient solutions, opportunities and business models. A key component of TCFD's Guidelines is scenario analysis, which allows companies to understand and quantify the risks it may face under different hypothetical futures. It helps in decision making and enables businesses to shape their strategy.

H&H's assessment shows that almost half of the companies included publishes uses TCFD's recommendations and guidelines, either by cross references in the Sustainability Report or by stand alone TCFD reports, and 75 percent of them include two climate scenarios in the analysis.

Companies with TCFD-reports



Companies with TCFD-reports and at least two climate scenarios



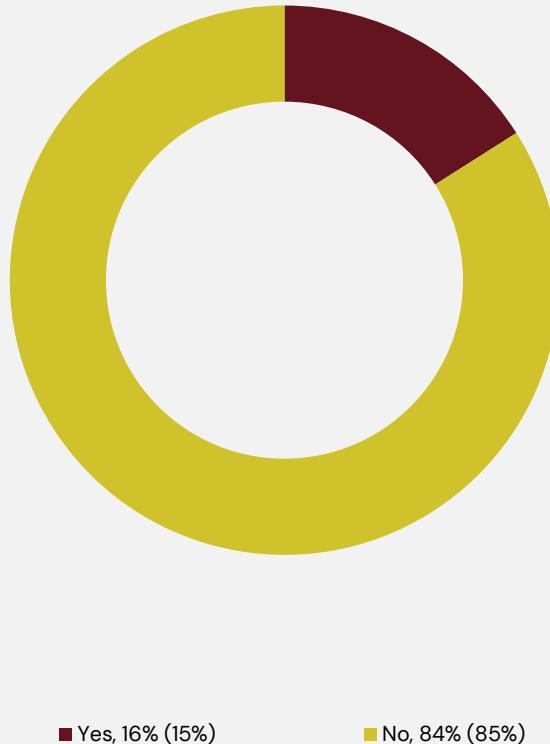
Human Rights Due Diligence

The Directive on Corporate Sustainability Due Diligence (CSDD) is intended to impose comprehensive environmental, social and corporate governance due diligence requirements on the value chain of companies established or operating in the European Union. Large companies with operations in the EU space will be obligated to take measures to protect human rights and the environment under threat of civil liability and administrative sanction.

Companies whose activities fall under the Scope of the new legislation are required to carry out comprehensive due diligence of their operations and direct and indirect business relationships, upstream and downstream, in and outside of the EU and publish a statement that they have identified no potential or actual risk to human rights, the environment or good governance. The statement should include the data and methodology used.

16 (15) percent of the assessed companies conduct human rights due diligence, all of them systematic and reoccurring. None of the companies covered in the assessment has published a statement as proposed in the new legislation.

Companies that conducted a Human Rights Due Diligence (HRDD)



Human rights training

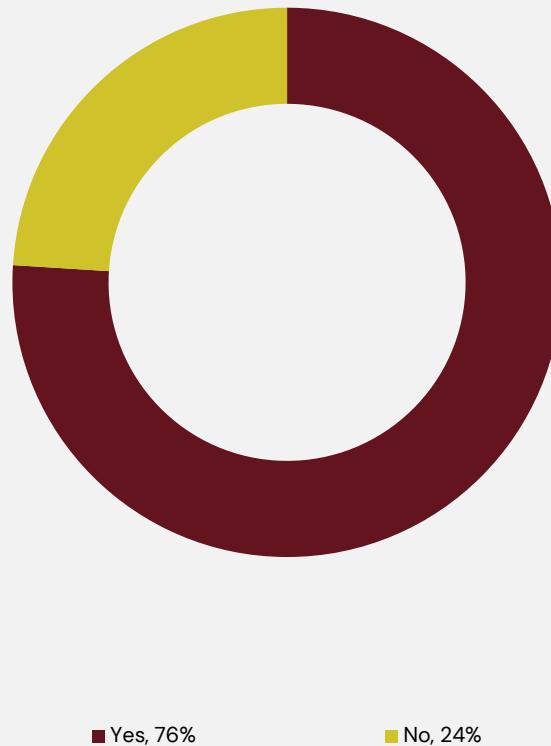
Human rights due diligence is a way for companies to proactively manage and prevent adverse human rights impacts with which they are involved.

Prevention measures should be ongoing, as the risks to human rights may change over time; and be informed by stakeholder engagement, especially with affected stakeholders, human rights defenders, trade unions and grassroots organizations. According to the United Nations Guiding Principles, a credible human rights assessment should:

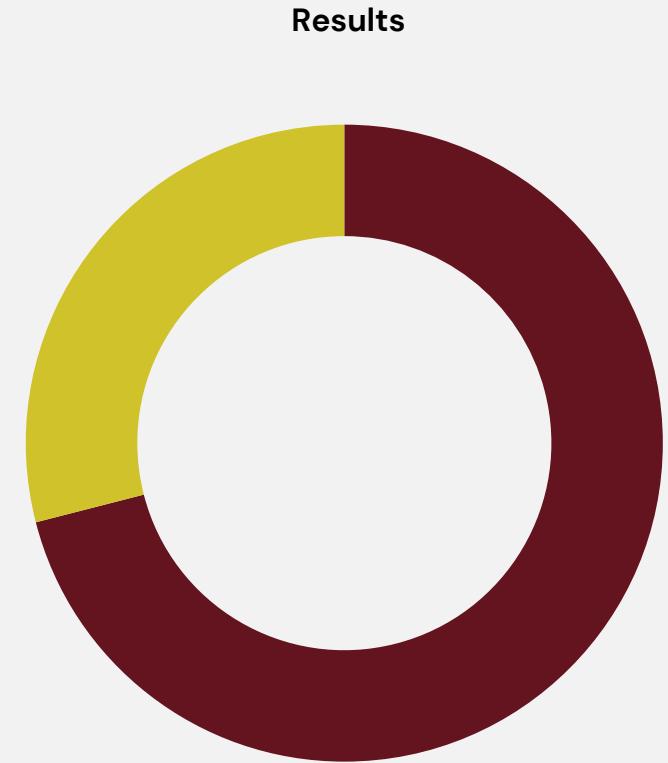
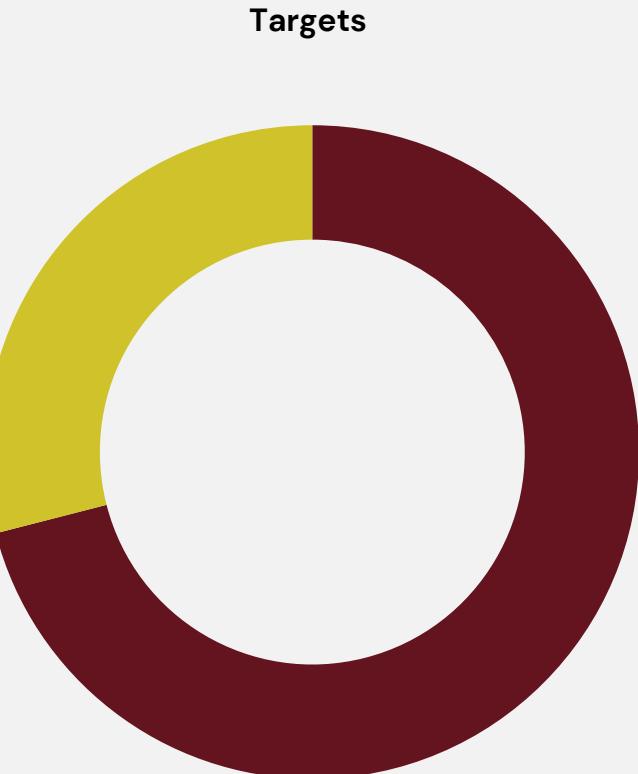
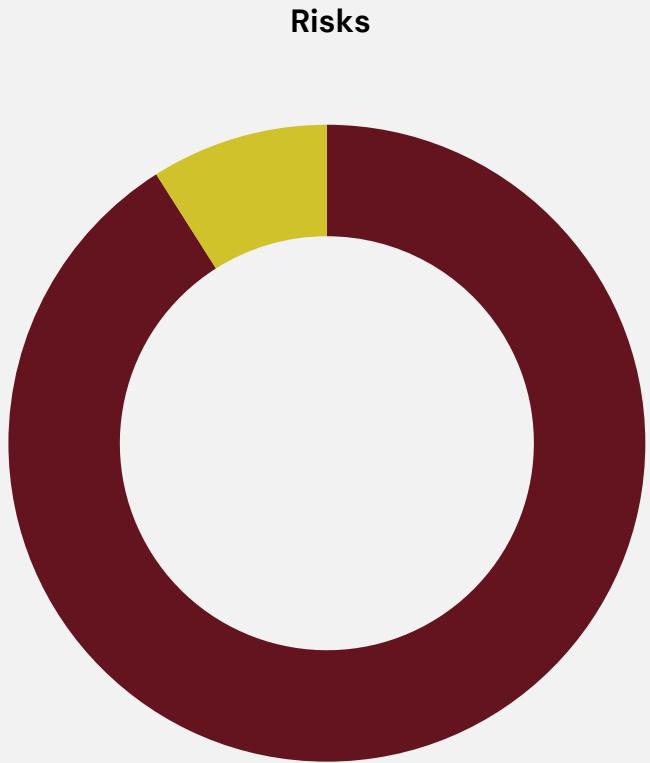
- Assess impacts on people, not impacts on business;
- Assess impacts against all internationally recognized human rights;
- Draw on internal or independent external human rights expertise; and
- Highlight the concerns of affected stakeholders

A key component to securing adequate knowledge of assessing the business impact on human rights is employee training, in particular concerning human rights risks. 76 percent of the companies included in the assessment conducts specific training regarding the business human rights risks.

Employee training concerning human rights risks



Human rights follow-up



Grievances and breaches

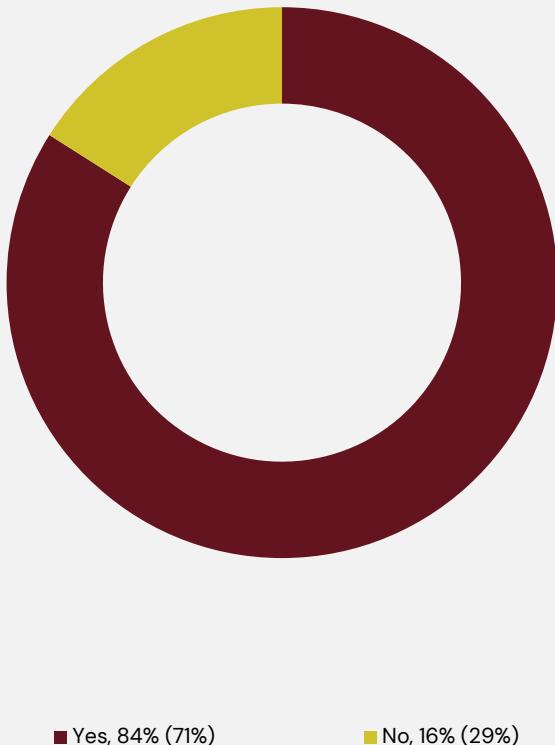
The primary purpose of a Code of Conduct is to clarify the company's mission, values and principles, linking them with standards of professional conduct.

The Code of Conduct is a company manual that states the rules, values, goals, ethics, and vision of a business. Values and principles stated serve as a benchmark and a tool to measure organizational and behavioural performance.

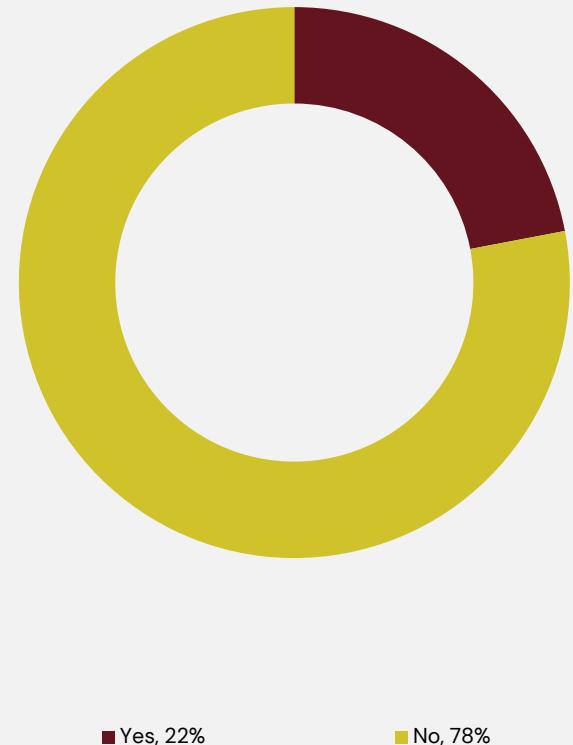
A grievance mechanism is a procedure that provides a clear and transparent framework for addressing grievances related to the recruitment process and in the workplace. It also provided a means for stakeholder groups to raise questions and concerns regarding a company's business practices.

84 percent (71) reports on grievances or actual breaches of the Code of Conduct, the majority of which are described on a generic level. Of the companies reporting on grievances and breaches 22 percent implemented improvement measures.

Grievances or breaches of Code of Conduct reported



Improvement measures due to grievances or breaches reported



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