

International ESG standards disclosure for corporates

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The issue of ESG strategy and ESG performance disclosure has become indispensable for all medium and large corporates. The recent COP26 summit renewed focus on the necessity for both state and businesses to assume public ESG commitments contributing to the global well-being.

Therefore, the corporates are asked by numerous stakeholders for ESG strategy and performance disclosure:

- financial institutions ask debt-holders for ESG performance or ESG ratings or ESG-linked covenants during new-deal reviews
- suppliers and customers ask for ESG-related information to evaluate their own supply chains for sustainability
- local authorities and communities request openness in ESG performance and improvement commitments.

Given the wide range of requests, most corporates try to use universal ESG disclosure guidelines for their Annual and Sustainability reports to refer their stakeholders. We at SUEK use the following guidelines in the annual and sustainability reports:

1) GRI and SASB guidelines provide recommendations on a multifaceted disclosure of environmental, health and safety, social, corporate governance and compliance issues. The detailed information on GRI can be found on <https://www.globalreporting.org/standards/> , on SASB - <https://www.sasb.org/> .

2) IIRC guidelines for integrating ESG reporting into general corporate reporting. The detailed information on Integrated Reporting framework is available on <https://www.integratedreporting.org/resource/international-ir-framework/> .

Many other companies have already gone beyond just environmental reporting on emissions of polluting particles to evaluating and reporting on their carbon footprint. Generally they use either a) CDP questionnaires, covering GHG, water and other environmental impact performance; or TCFD framework, which is a further step for the companies to disclose their climate-related risk management, strategy, long-term targets and the financial impact of those risks and measures. A more detailed information on CDP and TCFD can be found at <https://www.cdp.net/en> , <https://www.unepfi.org/climate-change/tcfid/> and <https://www.fsb-tcfid.org/> . SUEK is currently developing its carbon strategy and is planning to disclose it in line with TCFD recommendations.

Therefore, one of the major requests from the business to educational institutions is to include (in addition to environmental management standards) in the teaching process an overview of environmental disclosure standards, so that the environmental specialists can take these frameworks into account while developing internal KPIs, preparing disclosures for governmental authorities and a wider group of stakeholders (sustainability reports, integrated annual reports, climate reports etc).

The second need is to expand knowledge of environmental, production, investor relations, internal audit specialists within companies on climate-related issues and disclosures (CDP, TCFD), CO₂ calculation methodologies, as mostly the environmental specialists only calculate and minimize pollutants in the water, air and soil (solid particles, NO_x, SO_x etc), however, as CO₂ is not considered a pollutant by many governments and carbon disclosure is often voluntary, the environmental specialists often do not pay that much attention to it.

The latest discussion at COP26 once again underlined the need for a balanced solution for global problems, in particular, the right of developing countries for improving the living standards of their citizens and growing their economies.

For example, we at SUEK operate mostly in Siberia, in the big cities with 1+ million citizens and large industrial areas in need of central heating 9 months a year, with temperatures reaching -40C in the winter, and electricity all year round for the development of local businesses. Half of electricity in this region is produced from hydropower and is, therefore, carbon-free. However, these resources are limited, while other renewable resources (wind and solar power) are very limited in those areas. Therefore, the other half is covered by thermal power plants, which, in addition to electricity, produce hot water for central heating as a byproduct. The co-generation of heat and power is fueled by local coals, whereas transition of this part at least to gas (twice lower carbon emission than from coal) will require 3-4 times increase in tariffs for the population and enterprises and construction of gas pipelines, which is time and capex consuming. Therefore, this solution is economically not viable unless the government decides to go for huge state subsidies and undertakes those costs.

Still the need to calculate the overall impact from the whole production cycle from energy fuel source development to the utilisation of waste is necessary to optimize energy efficiency.