

Climate Change and Sustainability Services



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In today's rapidly changing economic environment and the confidence crunch, companies are giving increasing attention to business reputation – and larger companies are looking to be good and green. Most companies understand that focusing exclusively on the financial aspects of business is not enough for success. Building up social capital and a proactive approach to corporate social responsibility (CSR) not only promote a company's image, but also strengthen the trust of shareholders, investors, government agencies and other stakeholders. An effective management system for environmental, social and ethical performance can help make balanced decisions, focus on the areas essential for strategy implementation and ensure the maximal yield of realized projects.

Ernst & Young provides the following corporate social responsibility and sustainability services:

- ▶ Strategic advisory, including the CSR strategy and program development, as well as support in the development of management systems and relevant KPIs
- ▶ Support in the development and further improvement of non-financial reporting systems and processes, as well as in the preparation of non-financial reports
- ▶ Independent assurance of non-financial reports in accordance with international standards
- ▶ Advisory on climate change, including strategy development and the introduction of relevant tools and controls, as well as the verification of greenhouse gas emissions
- ▶ Assessment of the company's environmental, health and safety (EHS) risks and liabilities.

Ernst & Young's global Climate Change and Sustainability Services (CCaSS) are provided by 250 experts in the CIS, United States, United Kingdom, France, Germany, Austria, Japan, the Netherlands, Denmark, Spain, Norway, Australia, Italy, India, Belgium, Republic of South Africa and Sweden. In Russia the CCaSS group became operational in 2005, with clients including the market leaders in power generation, metallurgy, oil and gas, finance and other industries from Russia and the rest of the CIS.

The group comprises experienced specialists in environmental, social and financial issues, including those certified in the International Register of Certificated Auditors (IRCA): independent sustainability assurance practitioners, and auditors of quality and environmental management systems.

Advisory and assurance on sustainable development and non-financial reporting

Companies define business sustainability and view their social responsibility in different ways, depending on industrial differences and companies' specific characteristics and history. Many Russian companies do a lot in terms of CSR, but most have not yet put their actions under one umbrella and measured their effectiveness. Doing so requires a well-developed and documented strategy for harmonizing and targeting current and future CSR measures. The establishment of clear-cut priorities can set the general direction for a company's development and help achieve goals more efficiently, while programs underpinning the CSR strategy strengthen the company's market position.



Ernst & Young has accumulated significant experience in **Strategic Sustainability Advisory** and provides the following services:

- ▶ Diagnostics of the CSR processes within a company
- ▶ Development of the business case for CSR
- ▶ Development of a CSR strategy, as well as programs and tools for its implementation
- ▶ Development of support policies in the sphere of HR management, labor safety, environmental protection, charitable activities, and so on
- ▶ Development of a KPI system in the CSR sphere
- ▶ Review of applicable CSR standards and initiatives, as well as support of their implementation.

Insufficient information about CSR activities is another issue which companies face. Non-financial reporting is the major tool through which a company can declare its CSR position and announce the existing programs. Certain major Russian companies have streamlined the preparation of CSR reports; however, the remaining majority has yet to follow their example. In this context, many companies seek advisory on data collection, processing and CSR report compilation, but encounter difficulties when they apply international CSR standards and guidelines.

With a view to resolving such issues, Ernst & Young provides the following **advisory services in the sphere of non-financial reporting**:

- ▶ Support in the implementation of internal and external non-financial reporting, including the streamlining of data collection
- ▶ Support in the development of internal non-financial reporting standards
- ▶ Advisory on the application of international reporting standards
- ▶ Advisory on the drafting of CSR reports, including concept and structure development, coordination of the drafting effort and critical review of the reports.

The assurance of a CSR report by an independent party raises readers' confidence in the report. There are other benefits as well. Commonly, the deadline for preparing such a report is tight and there isn't enough time for data verification. Auditors have taken this role upon themselves, which helps prevent errors and omissions. In addition, auditors review and analyze existing data collection processes, as well as the activities described in the report, identifying weaknesses and making recommendations on the improvement of operations.

Ernst & Young is one of the major suppliers of **assurance services in the sphere of non-financial reporting, including assurance of**:

- ▶ The entire report, the reliability and the balanced nature of its information
- ▶ Certain key indicators in the report and the accuracy of specific data types
- ▶ Compliance with international standards and guidelines, such as AA1000AS, the GRI Guidelines, etc.



Assessment of environmental, health and safety risks and liabilities

Modern industries – particularly power generation, construction, oil and gas, chemical, mining and metals, and engineering – are resource-intensive and have significant environmental impact. Compliance with environmental legislation and management of the respective risks and opportunities is part and parcel of a modern business strategy.

Insufficient attention to environmental, health and safety (EHS) issues is fraught with significant risks ranging from damage to the company's business reputation to judicial claims and the suspension of its operations. The assessment of EHS risks and the correct reflection of related liabilities is a topical issue for most large industrial companies.

It holds particular importance for companies which are:

- ▶ Going through merger or acquisition (for the reasonable assessment of the amount of environmental liabilities and the reflection thereof in the financial statements)
- ▶ The recipients of loans from foreign banks and other financial organizations
- ▶ Developing capabilities to manage EHS risks.

Ernst & Young can help companies resolve these issues with the following services:

- ▶ Review of the EHS legislation and assistance in its interpretation
- ▶ Assessment of compliance of the existing and planned operations with the EHS legislation
- ▶ Assessment of compliance with the effective international, industry-wide and corporate EHS standards
- ▶ Assessment of EHS risks and liabilities and their reflection in financial statements
- ▶ Development of procedures for the identification and accounting of EHS risks and their reflection in financial statements.

Advisory on climate change and verification of greenhouse gas emissions

Climate change issues and the regulation of greenhouse gas (GhG) emissions rank high on the agenda of the international business community. The oil and gas, power generation and insurance industries view climate change as one of the key strategic risks. The consequences of climate change impact companies of all industries and may include possible disruptions in the supply of goods and energy, further tightening of the mandatory energy efficiency requirements of production and specific products, and others.

Many countries are already pursuing tight policies and are passing on national obligations for the reduction of GhG emissions to manufacturing and transport companies. Such requirements increase annually. The situation looks less critical for Russian companies, as the government has not yet set tight requirements with respect to GhG emissions. The tools related to joint implementation (JI) projects are in the making, particularly from the tax and legal viewpoints. Meanwhile, the effective business risks related to climate change have not yet been assessed or taken into account.

The solution of issues related to climate change requires management, technical, financial and tax expertise. Ernst & Young has set up a multi-disciplinary team with relevant professional knowledge and experience to provide the following climate change services:

Climate change advisory

- ▶ Development of climate change strategy
- ▶ Development and introduction of control, management, monitoring and reporting tools, including those applicable to JI projects
- ▶ Definition of priority spheres for GhG reduction projects (through the optimization of production processes and/or increasing their energy efficiency)
- ▶ Assessment of the viability of projects related to the use of alternative energy sources
- ▶ Legal, tax and financial review of transactions related to implementation of the Kyoto Protocol

Verification of greenhouse gas emissions

- ▶ Verification of GhG emission data
- ▶ Verification of data collection and review processes with respect to GhG emissions.

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