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A new mindset for action
2018 Global Impact Report

Basis of reporting

This document provides additional details about the scope and calculation methods used in the Deloitte 2018 Global Impact Report (the “Global Report”), available at www.deloitte.com/GlobalReport. It should be read in conjunction with the Global Report and all definitions used therein unless otherwise stated also apply to this document.

Defining Global Report content

The Deloitte Touche Tohmatsu Limited (Deloitte Global) Corporate Responsibility Policy points to defining principles for establishing member firm policies. These defining principles include environmentally sustainable operations and a commitment to local communities and the wider society. Deloitte people engage continuously with key stakeholders, both internal and external, as part of routine business. Along with this ongoing engagement, in FY2017, Deloitte Global commissioned a formal stakeholder engagement process and materiality assessment to assist with identifying key areas of impact upon which to focus the Global Report content. Given the level of effort involved in conducting the materiality assessment and the typical rate of change in stakeholders’ perspectives, this process was not revisited for the FY2018 Global Report and the materiality assessment from FY2017 was used in determining report content. Deloitte Global anticipates that future materiality assessments will take place every two to three years. For details of the materiality assessment, please review the Basis of Reporting from our 2017 Global Report.

The Global Report uses the GRI Standards in defining report content. The FY2018 Global Report has been prepared in accordance with the GRI standards: Core option. Scope and methods for performance measurements Deloitte Global adhered to widely accepted standards in developing the Global Report. These standards define a systematic approach to understanding the issues that the Global Report should cover and measuring and documenting performance with regard to those issues.

Performance measures for societal impact and environmental sustainability are based on widely recognized guidelines as noted below.

For reporting on societal impact, Deloitte Global considered the reporting standards from the Committee Encouraging Corporate Philanthropy (CECP) and the London Benchmarking Group (LBG). The monetary value of community activities was estimated according to the type of service performed. The value of volunteer work was based on local Deloitte member firms’ (“member firms”) staff costs. Pro bono work, defined as work that the member firms have delivered to not-for-profit organizations free of charge or at significantly reduced rates, has been valued at fair-market rates representative of the local member firms’ client-service rates for comparable services.

Estimates of carbon emissions were prepared according to the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard created by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), with emissions accounted for on the basis of operational control. While the reporting for FY2018 includes a significant number of Scope 3 sources, it does not consider full upstream and downstream emissions from all sources.

FY2018 environmental performance data in the Global Report was directly collected from across the Deloitte network and collectively represented 94 percent of aggregate Deloitte people and 98 percent of Deloitte’s aggregate member firm revenue. Extrapolations were used to account for the emissions of the remainder of the organization that did not directly report data. FY2018 societal impact data was reported from across the Deloitte network and collectively represented 99 percent of aggregate Deloitte people and 99 percent of Deloitte’s aggregate member firm revenue. Estimates of societal impact contributions were not made for the member firms that did not report this data due to the wide range of societal impact activities across member firms. It should be

recognized that these reporting gaps limit the year-to-year comparability of the data. Comparability is expected to improve over time as the number of nonreporting member firms decreases. Data that formed the basis of the reporting was obtained from financial reporting systems, other internal records and outside sources such as travel agencies, utilities and property managers. In FY2018, environmental data was gathered from across the Deloitte network using a single carbon software system. Member firms entered their building electricity, fuel usage and business travel activities, and these activities were converted to metric tons of carbon dioxide equivalent.

Changes in methodology over time

Deloitte Global streamlined the way it reported environmental sustainability data in FY2014. We have continued with these practices in FY2018 including the following:

- Refrigerants, district heating and district cooling are excluded from reporting as previous analysis
- Paper consumption is tracked, but associated greenhouse gas emissions are not.
- Methane (CH₄) and nitrous oxide (N₂O) are not separately calculated in instances where published sources do not incorporate these into carbon-dioxide equivalent (CO₂e) factors.
- Global warming potentials (GWPs) incorporated into published emission factors are used “as is” and no attempt is made to reconcile to one common set of GWPs. Where choices can be made, the 100-year Fifth Assessment Report (AR5) with climate-carbon feedback incorporated as published by the Intergovernmental Panel on Climate Change is used.

The methodology for extrapolating member firm emissions was reviewed in FY2016. Based on this review and an analysis of materiality considerations the following changes were made to the GHG reporting process:

Basis of reporting (continued)

- Extrapolation is only done for the three most material emission sources: electricity, air travel and hotel stays.
- The multiplier for extrapolation is based on the weighted average of all reporting member firms for the specific activity data. Before FY2016 the extrapolation multiplier was also based on geographical location and member firm size.

This change was made to simplify reporting and was continued in FY2018. A thorough materiality assessment confirmed that these changes would not materially impact reported results.

New emission factors were applied for global air travel in FY2017. All air travel emissions, except for air travel by Deloitte UK, were calculated using DEFRA's International emission factor for business travel-air. Previously, flight segments were identified by distance, and emission factors were applied according to whether the flight segment was categorized as long, medium or short haul. This application of emission factors by distance was maintained for the UK only. This change in emission factors resulted in a significant drop in overall emissions and the performance table shows both the reported values for FY2016, as well as the value that would have been reported had this new emission factor been applied to the previous years' emissions.

Starting in FY2017 certain sources of commuting data were no longer available because the commuting service coordinated through the member firm was phased out and data on the commuting activities replacing it are not being captured. Because of this, reductions in FY2017 and beyond commuting data are related to the change in activity capture rather than true reductions in emissions.

During FY2018 Deloitte Global changed the way we extrapolated for air, hotel and electricity data, basing it on gaps in individual country reporting rather than basing it on gaps in member firm reporting.

In recent years, the use of car sharing services for business travel has increased significantly. For FY2018 distance was obtained for a portion of car sharing use. Emissions were calculated using the WRI's GHG Protocol's factor for taxis. The availability of mileage for a portion of the ride share trips rather than cost is an improvement to data quality.

Emission factors

The software system used for reporting emissions incorporates standard emission factors, the majority of which come from the following sources:

- The GHG Protocol published by the WRI and WBCSD;
- The International Energy Agency (IEA);
- The UK's Department for Environment, Food and Rural Affairs (DEFRA); and
- The US Department of Energy (US DOE).

Member firms have also identified emission factors that more accurately reflect localized source-specific emissions, such as specific emission factors for a local electric utility. These factors are also incorporated into the software system and used as appropriate for the emissions source. A compilation of emission factors used to calculate the data in the Global Report is included at the end of this section.

Building-related emission sources

Building-related emission sources included in the GHG emissions data of the Global Report were those associated with the use of electricity, heating oil and natural gas in the office buildings and data centers that member firms either own or over which they have operational control. Upstream building-related emission sources, such as those associated with electric transmission and distribution line losses, were not included in the GHG emissions inventory.

Some of the activity data associated with building-related emission sources was available directly to the member firms. For example, some facilities have direct utility meters or sub-meters from which member firms obtain readings. For facilities that have no available meter data, activity data

for the entire building was typically allocated on the basis of the percentage of total building floor space used (based on rentable square meters) by the member firm. Where building-specific data was unavailable, member firms estimated electricity and fuel usage using actual data from a similar building or an average from a recognized source.

A simplifying assumption is used for calculating the volume of diesel fuel used for backup power generation. It is assumed that diesel fuel purchased during the fiscal year is used that year. This method likely overestimates actual emissions in some years and underestimates them in others but, over time, captures the related emissions.

Business travel—Air

Reported GHG emissions from air travel are those resulting from Deloitte people flying for business reasons in accordance with Deloitte policies. GHG emissions from flights taken by non-Deloitte people are also reported in instances where flight activity data are captured in Deloitte travel systems and reimbursed or paid for by Deloitte (such as travel by family members in accordance with policies or travel by prospective Deloitte people). The majority of business air travel data was obtained from Deloitte travel systems. Much of the rest was obtained from travel expense records.

The default GHG emission factors used to calculate emissions from air travel were based on information published by DEFRA.

International emission factors were applied for all countries except the UK as noted previously. Seat class-specific emission factors (e.g., first, business, premium economy, economy) were used for a small number of member firms as experience in earlier reporting years showed significant uncertainties around reported seat-class data. The DEFRA emission factors used incorporated an uplift factor to account for non-direct routes, delays and circling, but exclude radiative forcing and indirect emissions.

Basis of reporting (continued)

Business travel—Road

Reported GHG emissions from Deloitte business travel by automobiles includes travel in Deloitte-owned vehicle fleets (personnel driving in vehicles owned by a member firm), reimbursed driving (personnel driving in personal cars for which they are reimbursed), rental cars (personnel driving in rented/hired cars for which the member firm pays), buses and taxis (reimbursed personnel trips in buses, taxis, car service, car sharing and limousines).

For road travel, activity data was gathered from expense reports, rental agency records, travel agency records, Deloitte accounting systems, fuel receipts, odometer logs and receipts or other records indicating distance and location of trip segments. When fuel information was available, GHG emissions were calculated on the basis of mobile combustion factors for the given fuel type. When only distance information was available, GHG emissions were calculated on the basis of average emissions factors (emissions per kilometer traveled) for vehicles according to vehicle type (bus or car), fuel type (diesel, petrol, hybrid or unknown) and location. When only cost was available, distance was estimated based on a cost per mile traveled.

A very limited amount of personnel commuting activity data was available from member firms. Where available, this information was added to the emissions total.

Business travel—Rail

Rail travel accounts for GHG emissions from trips by personnel on subways, railways and trams, with different GHG emission factors used for each type of rail system.

Activity data sources included travel agency reports, expense reports, accounting systems, receipts and other records indicating the distance and location of trip segments. In cases where actual distance was unavailable, estimates were made using travel expense data and average travel costs per unit of distance traveled.

Accommodations

The GHG emissions inventory in the report includes emissions from accommodations at hotels, guest houses and apartments for business reasons and in accordance with Deloitte Global and member firm policies. Data was collected from travel agency records, travel expense reports and internal records.

Estimations

In calculating emissions, various estimations and extrapolations were made to account for known data gaps. For many travel activities, activity information and cost data were available both from travel providers (reservation systems, travel agencies or travel vendors) and from Deloitte Global or member firm expense systems. Travel expenses recorded in Deloitte Global or member firm expense systems often exceeded the corresponding

expenses recorded by travel providers because of travel arrangements made outside of reservation systems or without travel agencies. In cases where such differences were identified, the travel activity data associated with the incremental cost was estimated based on the same proportion of cost-to-activity that was reflected by the travel system reservations.

Not every member firm has the capacity to report activity data for GHG emissions, and some member firms report on some, but not all, of the activities within the report boundaries. Ratios of emissions per full-time equivalent (FTE) by emission source were calculated for the member firms that reported, and averages of these ratios were calculated and used to estimate emissions for airlines, hotels and electricity. Consistent with other GRI indicators, emissions intensity per FTE was calculated using the FTE total at the reporting year end (31 May 2018).

While the above description is intended to be as accurate as possible, invariably, the inventory will contain some exceptions to this reporting basis. None of the known exceptions are considered to materially change the total emissions reported.

Emission factors

The table below shows emission factors that were used in the inventory. Where factors are used in specific countries only, these are listed after the emission source.

Emission source	Emission factor	Unit kg CO ₂ e/unit	Reference
Air travel (various lengths and seat classes)	0.07-0.310	Passenger km	DEFRA's 2017 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting; various factors used to depend on class and distance
Bus (Europe)	0.102	Passenger km	DEFRA's 2017 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting (version 1)
Bus (outside Europe)	0.1071	Passenger km	WRI Emission Factors from Cross Sector Tools (March 2017)

Basis of reporting (continued)

Emission source	Emission factor	Unit kg CO ₂ e/unit	Reference
Electricity (Canada)	2.1-780	MWh	Canada National Inventory Report 2016
Electricity (Australia)	140-1080	MWh	Australian Government—National Greenhouse & Energy Reporting Act 2007, Technical Guidelines 2017-18
Electricity (India)	820	MWh	CO2 Baseline Database for the Indian Power Sector—User Guides—2017
Electricity (Japan)	405-799	MWh	Various Japanese power companies
Electricity (Mexico)	582	MWh	Mexico Ministry of Environment and Natural Resources
Electricity (New Zealand)	119	MWh	Ministry for the Environment, 2016 Guidance for Voluntary Reporting
Electricity (South Africa)	990	MWh	ESKOM Integrated report 2017
Electricity (US)	295-1675	MWh	US EPA eGRID 2016
Electricity (various countries)	0.1-1255	MWh	IEA data from CO2 Emissions from Fuel Combustion 2017
Hotel stays	32	Nights	Cornell Hotel Sustainability Benchmarking Index 2017
Hotel stays (New Zealand)	2.56-7.97	Nights	Carbonzero.co.nz
Mobile combustion—car (average) (various fuels) (Finland, Luxembourg)	0.131-0.147	Km	Actual information from the fleet company
Mobile combustion—car (diesel)	2.600	Liter	DEFRA's 2017 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting (version 1)
Mobile combustion—car (various fuels) (New Zealand)	2.43	Liter	Ministry for the Environment, Guidance for voluntary, corporate greenhouse gas reporting
Mobile combustion—car (petrol/gasoline)	2.198	Liter	DEFRA's 2017 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting (version 1)
Mobile combustion—car (unknown fuel)	0.249	Km	DTTL estimated using data from WRI Emission Factors from Cross Sector Tools (March 2017)
Mobile combustion—car (unknown fuel) (Australia)	2.383	Liter	Australian Government—National Greenhouse & Energy Reporting Act 2007, Technical Guidelines 2017-18

Basis of reporting (continued)

Emission source	Emission factor	Unit kg CO ₂ e/unit	Reference
Mobile combustion—car (unknown fuel) (New Zealand)	0.209	Km	Ministry for the Environment, Guidance for Voluntary, Corporate Greenhouse Gas Reporting
Mobile combustion—car or van (various fuels) (Netherlands)	2.78-3.13	Liter	Stichting Klimaatvriendelijk Aanbesteden en Ondernemen (SKAO)
Mobile combustion—car (various fuels) (Europe)	0.178-0.185	Km	DEFRA's 2017 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting (version 1)
Mobile combustion—van (various fuels)	0.262-0.265	Km	DEFRA's 2017 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting (version 1)
Mobile combustion—luxury car (various fuels)	0.226-0.336	Km	DEFRA's 2017 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting (version 1)
Mobile combustion—motorcycle	0.116	Km	DEFRA's 2017 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting (version 1)
Mobile combustion—outside Europe car (average) (various fuels)	0.384-0.451	Mile	WRI Emission Factors from Cross Sector Tools (March 2017)
Mobile combustion—taxi	0.236	Passenger mile	WRI Emission Factors from Cross Sector Tools (March 2017)
Mobile combustion—taxi (New Zealand)	0.2	Passenger km	Ministry for the Environment, Guidance for voluntary, corporate greenhouse gas reporting
Mobile combustion—car service (US)	0.351	Passenger mile	US Environment Protection Agency (EPA)
Mobile combustion—taxi (UK)	0.162	Passenger km	DEFRA's 2017 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting (version 1)
Mobile combustion—car (hybrid)	0.117	Km	DEFRA's 2017 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting (version 1)
Mobile combustion—black car/limo	0.213	Passenger km	DEFRA's 2017 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting (version 1)
Rail—average (light rail or tram)	0.163	Passenger km	WRI Emission Factors from Cross Sector Tools (March 2017)
Rail—national rail	0.185	Passenger km	WRI Emission Factors from Cross Sector Tools (March 2017)

Basis of reporting (continued)

Emission source	Emission factor	Unit kg CO ₂ e/unit	Reference
Rail—subway	0.163	Passenger km	WRI Emission Factors from Cross Sector Tools (March 2017)
Rail—Eurostar	0.012	Passenger km	DEFRA's 2017 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting (version 1)
Rail (Germany)	0	Passenger km	Deutsche Bahn
Rail (Netherlands)	0.01	Passenger km	Dutch National Railways
Rail (UK)	0.048	Passenger km	DEFRA's 2017 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting (version 1)
Stationary combustion—diesel/heating oil	2.69	Liter	WRI Emission Factors from Cross Sector Tools (March 2017)
Stationary combustion—LNG	1.273	Liter	DEFRA's 2017 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting (version 1)
Stationary combustion—liquefied petroleum gas (LPG)	1.615	Liter	WRI Emission Factors from Cross Sector Tools (March 2017)
Stationary combustion—natural gas (Japan)	2.244	Cubic meters	Japan Ministry of the Environment
Stationary combustion—natural gas (low heating value)	1.889	Cubic meters	WRI Emission Factors from Cross Sector Tools (March 2017)
Stationary combustion—natural gas (Switzerland)	0.182	kWh	Swiss National Inventory Report
Stationary combustion—natural gas (New Zealand)	0.194	kWh	Ministry for the Environment, Guidance for voluntary, Corporate Greenhouse Gas Reporting

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