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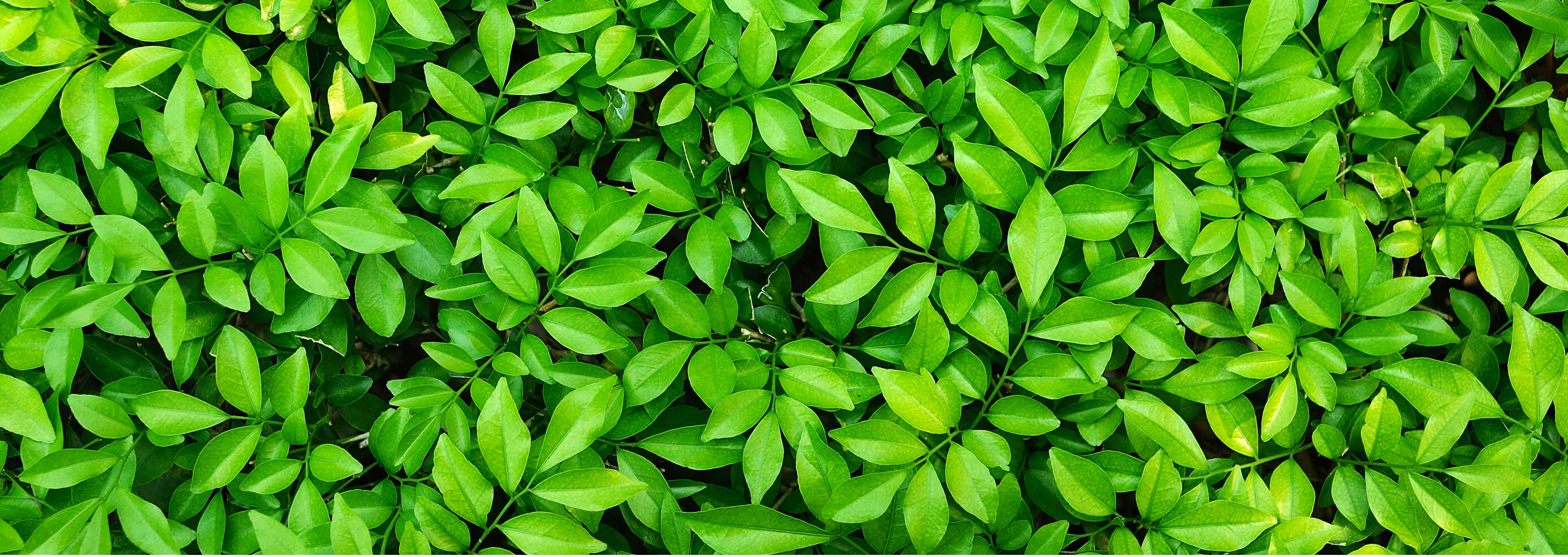
2023 Deloitte NSE Climate-related Financial Disclosures

December 2023

MAKING AN IMPACT THAT MATTERS since 1845



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Leadership message

Business has a responsibility to address the issues that matter - reskilling workforces, supporting inclusive economic growth and tackling climate change. Meeting this responsibility is part of the fabric of being a progressive business.

At Deloitte, we seek to do this through our purpose - to make an impact that matters. This is at the heart of all the decisions we make, the work we do and how we look after our people.

This is Deloitte NSE's first report following recently introduced UK legislation in 2022 mandating Climate-related Financial Disclosures ('CFD'). The firm strives for best practice and this report has also considered the 2021 Task Force on Climate-related Financial Disclosures ('TCFD') Implementing Guidance. This report sets out how Deloitte NSE assesses and reports on climate-related risks and opportunities by embedding climate into the firm's governance, strategy, operations and risk management processes, including our targets and associated metrics.

This inaugural report underpins our commitment to demonstrate how we're tackling the growing climate emergency, mitigating the human and financial impacts of climate change and are helping to lead the transition to a low-carbon economy.

As a leading professional services organisation, we continue to use our voice to advance the conversation on climate-related issues and champion the use of universal Environmental, Social and Governance (ESG) reporting standards.

We believe that within the business community there is the expertise, resources and capabilities to navigate the challenges and accelerate the move to a more sustainable future. Deloitte is already progressing on its decarbonisation pathway, having committed to achieve science-based net zero targets as part of its World*Climate* programme. We are focused on delivering systemic change by using our expertise to support clients and other stakeholders to build resilience and navigate complex challenges in their own sustainability agendas.

Whilst we are proud of the progress we have made there is more to do. In the year ahead, our focus and priority will continue to be on evolving our approach to address climate-related risks and opportunities – in our own operations, with the clients we serve and in the markets we operate - so that, collectively, we can mitigate the impacts of climate change and lay the foundations for a sustainable planet and society.

Richard Houston
Senior Partner & CEO

Sylvia Chai
NSE Chief Financial Officer

Smruti Naik-Jones
NSE Chief Sustainability Officer

About Deloitte NSE

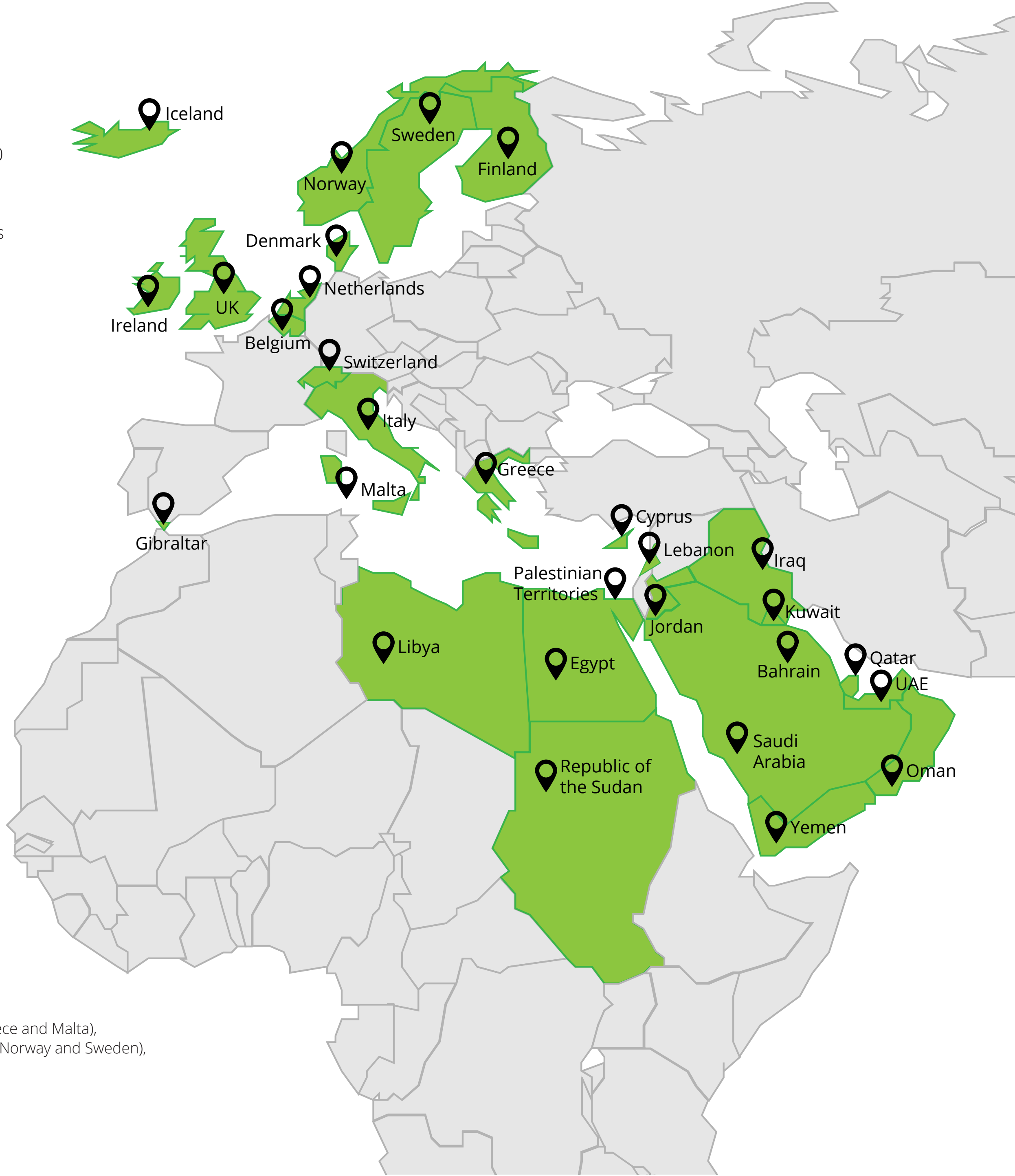
Deloitte North & South Europe (Deloitte, Deloitte NSE or the firm)[1] is a member firm of the global Deloitte network. Deloitte NSE includes more than 75,000 people located across over 30 countries in Europe and the Middle East.

Every day, we act on our shared values and we live our purpose to make an impact that matters for our people, our clients and our communities.

From Reykjavik to Riyadh and Aarhus to Athens, our firm brings together an enormous breadth and depth of capability. As an organisation that advises and audits organisations across industries and sectors around the world, ours is a business built on trust.

Over
75,000
people working across North and South Europe

30
countries all part of one firm



[1] The Deloitte NSE network includes Deloitte firms in Belgium, Central Mediterranean (consisting of Italy, Greece and Malta), Cyprus, Ireland, the Middle East, the Netherlands and the Nordics (consisting of Denmark, Finland, Iceland, Norway and Sweden), Switzerland and the UK. These firms will be referred to as a "National Practice" throughout this report.

Introduction

Deloitte NSE recognises climate change as a systemic issue threatening lives, livelihoods and habitats that requires global collective action. Deloitte is committed to taking measurable, decisive action on climate change, empowering people and engaging the broader ecosystem to create solutions that enable the transition to a low-carbon economy. This commitment is founded on two complementary elements: the work Deloitte does to reduce its climate impact within its operations and value chain (the firm's World*Climate* strategy) and the services Deloitte provides to clients to support them with their own climate journeys. Together, these provide an opportunity to create a more sustainable world.

World*Climate* (see page 18) sets out Deloitte's strategy to become a more sustainable business, using science-based targets to reduce its carbon footprint consistent with a 1.5°C pathway. The strategy underlines the importance of placing sustainability at the core of the firm's operations, while inspiring and empowering Deloitte's people to collaborate with suppliers and other external partners to lead the change. It also highlights the firm's commitment to reporting transparently on climate and adhering with recognised frameworks.

The World*Climate* strategy was established by Deloitte Global[2] in association with NSE and other member firms. The Deloitte NSE World*Climate* team are responsible for managing, monitoring and evaluating progress against the firm's plans for transitioning. Deloitte's purpose is to make an impact that matters. One way it does this is by serving clients and audited entities with distinction. It is widely recognised that tackling climate change will require large-scale transformation for many organisations and the firm is committed to using its breadth of skills and experience to help clients along their climate journeys. In addition, Deloitte regularly collaborates with external organisations and public bodies on matters related to climate change and climate-related reporting to help support standards development.

As a large LLP, incorporated in the United Kingdom, Deloitte NSE is in scope of the UK Government's Climate-related Financial Disclosure (CFD) Regulations 2022[3] for the financial year ended 31 May 2023. This 2023 report includes the eight disclosure areas required by CFD and on this basis, the climate-related financial disclosures made by Deloitte NSE comply with the requirements of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 as amended by the Limited Liability Partnerships (Climate-related Financial Disclosure) Regulations 2022.

However, the firm strives for best practice and where practicable, this report considers the 2021 Task Force on Climate-related Financial Disclosures (TCFD) Implementing Guidance[4]. In future reports, Deloitte intends to further enhance reporting in line with developing requirements, with aims to:

- include quantification of the climate-related risks and opportunities (where practicable);
- enhance the existing reported metrics[5] and targets used to monitor identified climate-related risks and opportunities;
- continue to develop plans for transitioning to bring greater specificity and granularity to interim and long-term net zero targets; and
- work with suppliers to continue reducing reported Scope 3 emissions.

The disclosures below set out how Deloitte NSE assesses and reports on climate-related risks and opportunities by embedding climate into governance, strategy, operations and risk management processes. They include the targets and associated metrics used for managing those risks and opportunities. The firm recognises that climate-related reporting is fast-evolving so will continue to develop its disclosures in line with the recommendations of the Transition Plan Taskforce (TPT) and future adoption of the International Sustainability Standards Board's (ISSBs) sustainability disclosure standards and European Sustainability Reporting Standards (ESRS) requirements.

[2] Deloitte Global refers to Deloitte Touche Tohmatsu Limited (DTTL)'s global network of member firms, and their related entities (collectively, the Deloitte organisation). Deloitte Global establishes (in association with NSE and other member firms) guidelines and requirements for the network of independent Deloitte member firms globally, including the overall World*Climate* strategy.

[3] Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs (publishing.service.gov.uk)

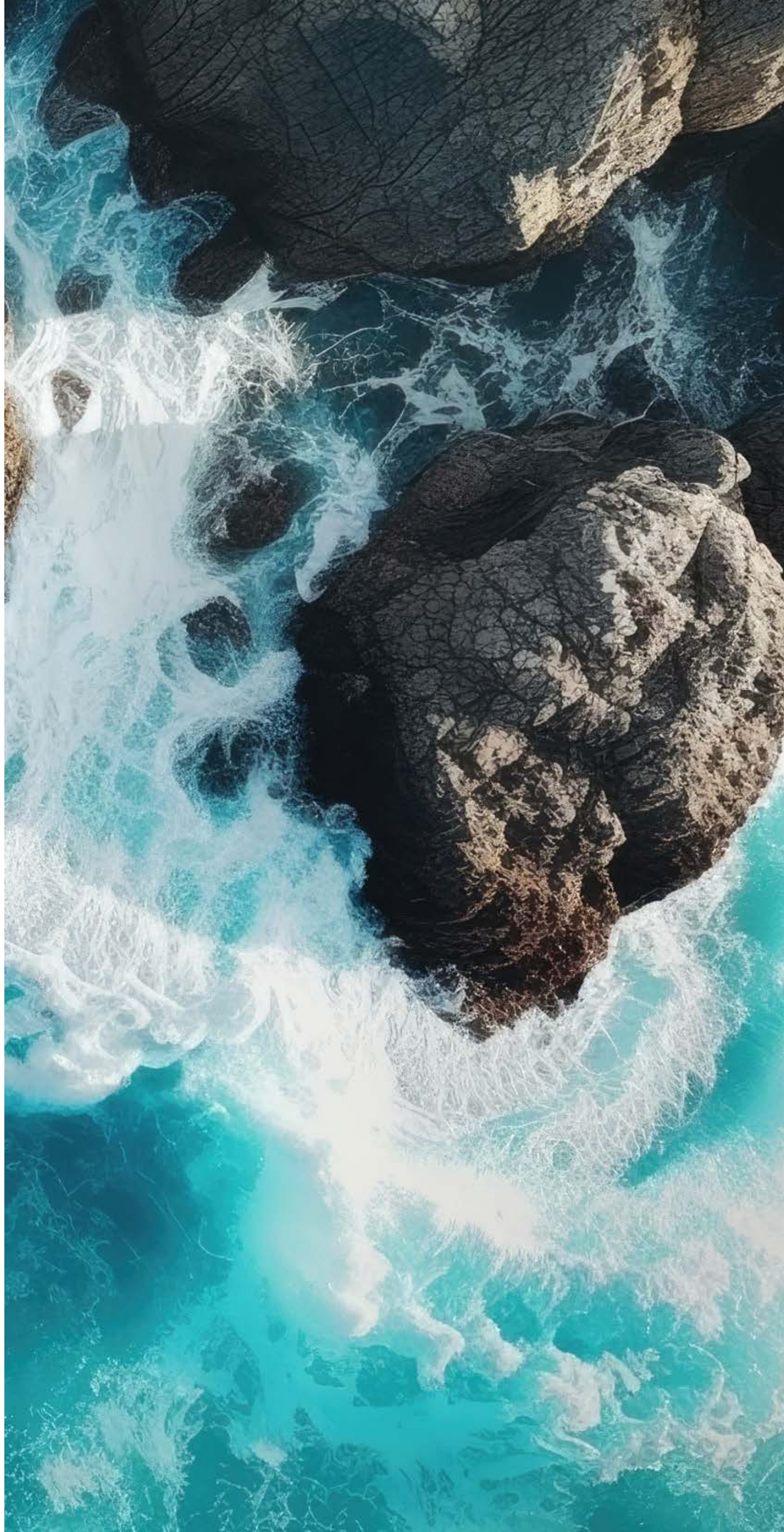
[4] 2021 TCFD Implementing Guidance

[5] Deloitte's environmental performance metrics are the firm's climate reporting equivalent to key performance indicators (KPIs) recognised under UK CFD regulations.

Summary Table

The table below sets out the eight CFD required disclosures and where the related information can be found in this report.

Pillar	CFD requirement	Reference
Governance	a) Describe the LLP's governance arrangements in relation to assessing and managing climate-related risks and opportunities	Pages 7-8
Risk management	b) Describe how the LLP identifies, assesses, and manages climate-related risks and opportunities. c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the LLP's overall risk management process.	Page 9
Strategy	d) Describe the principal climate-related risks and opportunities arising in connection with the LLP's operations, and the time periods by reference to which those risks and opportunities are assessed. e) Describe the actual and potential impacts of the principal climate-related risks and opportunities on the LLP's business model and strategy. f) Provide an analysis of the resilience of the LLP's business model and strategy, taking into consideration different climate-related scenarios.	Pages 10-18
Targets and Key Performance Indicators (KPIs)	g) Describe the targets used by the LLP to manage climate-related risks and to realise climate-related opportunities and performance against those targets. h) Describe the key performance indicators (KPIs) used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and the calculations on which those key performance indicators are based.	Pages 19-22



Governance

a) Describe the LLP's governance arrangements in relation to assessing and managing climate-related risks and opportunities.

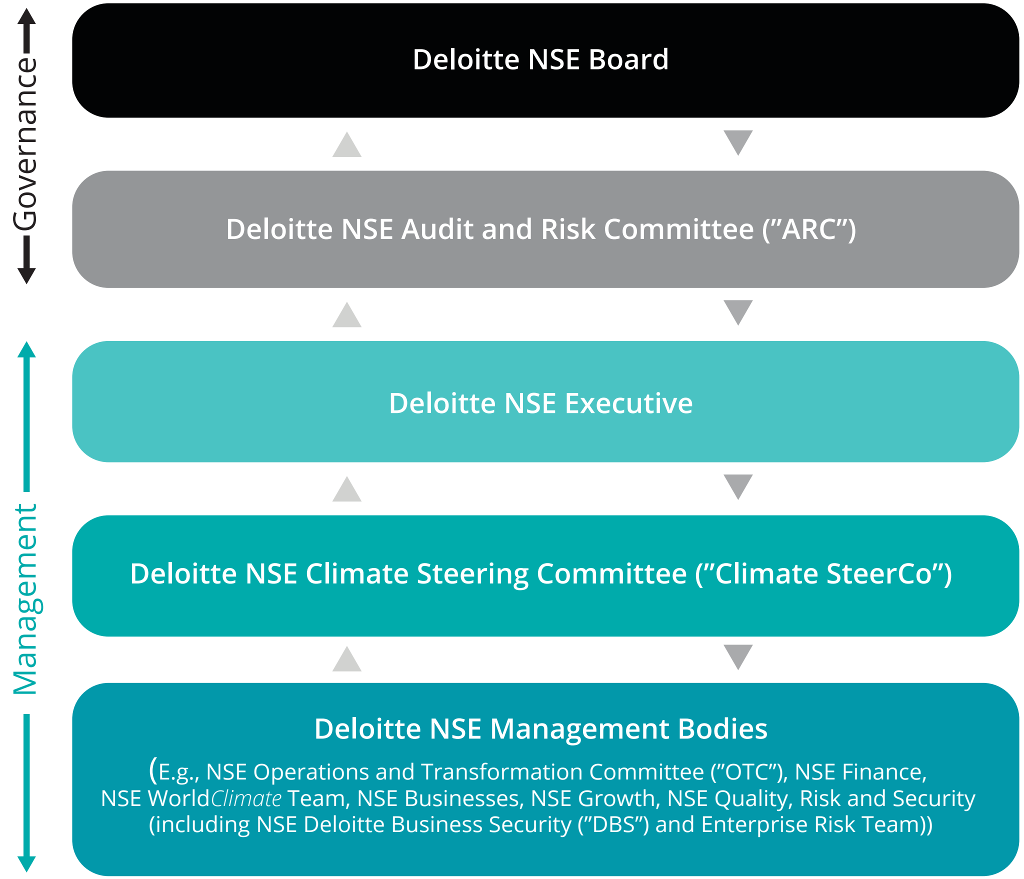
From the Board to management to people across the business, governance is a cornerstone of how Deloitte operates. The following describes the governance in place to oversee, assess and manage climate-related risks and opportunities.

As shown in the organisational chart, the **Deloitte NSE Board** has ultimate oversight of management and responsibility to oversee the level of risk acceptable in each area of the business, and for the promotion and protection of member interests generally. It supervises the NSE Executive to set and approve the long-term strategies and objectives of NSE, which includes all climate-related matters.

The Board delegates certain responsibilities to Deloitte NSE's **Audit and Risk Committee (ARC)**, a sub-committee of the Board. This includes climate and sustainability-related matters through oversight of the material climate-related risks and opportunities facing the business, and consideration of how Deloitte meets its public reporting responsibilities. The ARC reports to the full Board on climate-related matters at least annually.

The role of the ARC includes review and oversight of all business risk and opportunity analysis (via the Enterprise Risk Framework (ERF)), including for climate, as well as NSE's climate strategy and reporting, which encompasses the content of this report. Twice a year, management provides the ARC with updates on climate-related risks and opportunities, and achievements against the climate strategy (and associated targets), via the recently established **Climate Steering Committee (Climate SteerCo).**

Deloitte NSE climate management & governance structure



The **NSE Executive, led by the NSE Chief Executive Officer**, is responsible for the day-to-day leadership and management of the business. Each member of the Executive takes responsibility for leading in an area of Deloitte's operations and strategy, alongside client delivery and people development. The Executive is accountable to the Board for implementation of business strategy (including the World*Climate* strategy), and for achieving related targets. Certain members, in their roles as Executive Risk Owners, are also directly accountable for climate-related risks and opportunities, including reviewing, approving and owning responses to these. Management keep Executive Risk Owners informed on actions taken to address each climate-related risk and opportunity. At least twice a year, the Executive is informed about climate-related matters and evaluates and approves decisions made by the Climate SteerCo.

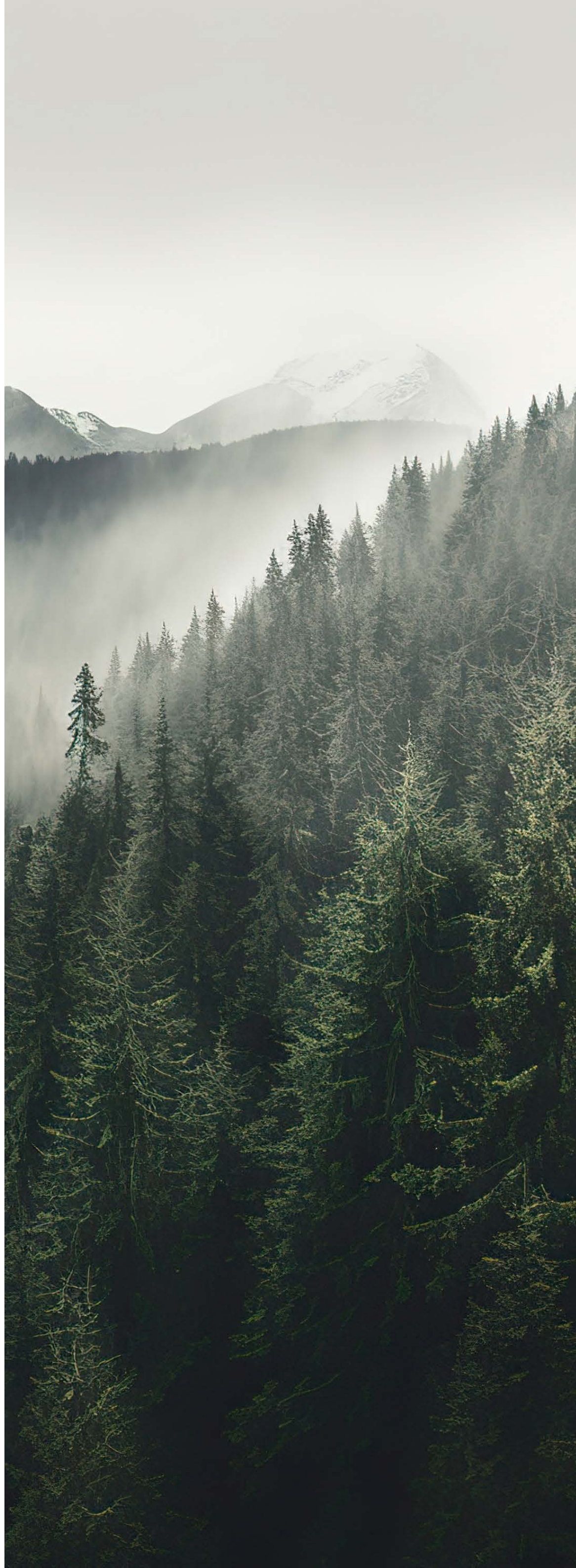
The management and delivery of climate-related matters across NSE, including the approach, strategy and risk management, is the responsibility of the recently established Climate SteerCo. This committee comprises the NSE Chief Sustainability Officer (CSO), NSE Chief Financial Officer, NSE Managing Partner of Operations, NSE Chief Risk Officer (CRO), NSE People & Purpose Lead, and NSE Growth and Business representatives. Its primary responsibilities are to identify, assess and monitor all material climate-related risks and opportunities, track progress against climate targets, and review and approve all climate-related reporting and disclosures, including this report. The committee meets at least six times a year to discuss climate-related matters and is informed by NSE management bodies including Quality, Risk & Security, Businesses, Growth, Operations and People & Purpose. These bodies manage climate-related risks and opportunities specific to their areas, as described below, and the Climate SteerCo monitors and evaluates the activities and progress of each of those NSE management bodies in relation to climate-related risks and opportunities.

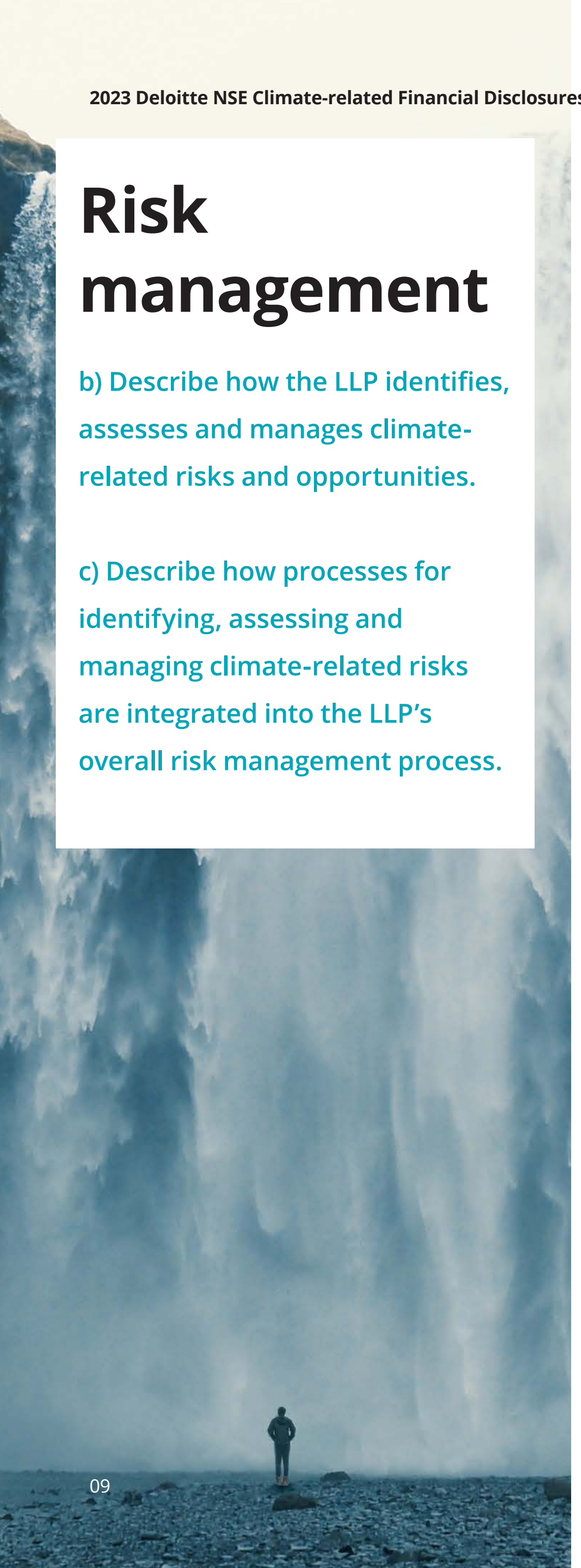
The NSE Managing Partner for Operations is responsible for delivering the World*Climate* strategy, while the NSE CSO is accountable for its day-to-day execution. This includes managing climate-related risks and opportunities within Deloitte's internal operations. Parts of the firm's enabling functions, including World*Climate* and local Deloitte Business Security teams, manage the relevant day-to-day operational risks and opportunities, reporting directly to the Climate SteerCo in relation to relevant climate-related matters.

Progress is reported to the Climate SteerCo via regular meetings throughout the year. This incorporates progress against climate strategy, including Deloitte's near-term 2030 emissions reduction goals. In addition, working sessions are held with the Chief Operating Officers across NSE and the NSE Executive that focus on short, medium, and long-term climate-related priorities and actions. Upskilling the firm's leaders in relation to climate-related matters happens through Deloitte's global mandatory climate learning programme (which includes NSE), and climate and sustainability workshops that are held for each business.

Alongside Deloitte's response to addressing climate change within its own operations, NSE's National Practice sustainability and climate teams support clients with their own climate journeys. Associated climate-related risks and opportunities are managed by the Businesses and Growth leads across NSE who are also responsible for implementing climate-related services strategy. Further considerations on risk management, including developing and overseeing actions to manage climate-related risks and opportunities related to client services, are set out in the Risk management and Strategy sections below.

Deloitte NSE operates across multiple geographies through its National Practices, but across the National Practices there is no consistent approach to setting climate-related performance objectives or overseeing from a climate perspective major capital expenditure, acquisitions and divestitures. However, at the NSE level, climate-related matters are considered within business planning and budgeting. The firm will continue to develop this and has adapted its governance practices to ensure climate-related focus and consideration at NSE level, with the intention to evolve and cascade this approach to National Practice levels in future reporting cycles (see the Strategy section below).





Risk management

b) Describe how the LLP identifies, assesses and manages climate-related risks and opportunities.

c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the LLP's overall risk management process.

Deloitte has a robust process for identifying, assessing, managing and monitoring all risks through the Enterprise Risk Framework (ERF) at both the NSE and local National Practice levels. The ERF sets out the NSE Executive's assessment of principal and emerging risks facing the firm, specifically those that could impact Deloitte's ability to achieve its strategic priorities, meet its public interest obligations and protect its reputation and people. Climate change and sustainability matters, alongside other business risks and opportunities, are considered and embedded within the ERF.

The ERF prioritises risks based on residual exposure. This is achieved through the 'risk dashboard,' which assesses the residual exposure of risks and opportunities, including those related to climate. Residual risk exposure describes the likelihood of a risk crystallising, and its impact on Deloitte given the current ability to mitigate or manage it, and is categorised as very high, high or medium. Risks and opportunities are considered against four impact dimensions: strategy and market differentiation, brand and reputation, operational and financial resilience, and people and purpose.

Material climate-related risks and opportunities recognised within this report (as described in the Strategy section below) have been identified at an NSE-level and include consideration of both physical and transition risks. These include consideration of existing and emerging regulatory requirements, such as jurisdictional policies that are being introduced to deliver against jurisdictional commitments, as well as changes to client behaviour and threats to reputation. The risks and opportunities are assessed in line with Deloitte's risk methodology and governance processes and are informed by qualitative scenario analysis (see the Strategy section below for materiality considerations in determining climate-related risks and opportunities). As such, climate change is integrated into decision-making through consideration alongside other business risks within the ERF.

The Enterprise Risk Management (ERM) Team facilitates the ERF and, along with other enterprise risks, climate-related risks are assigned an Executive Risk Owner who oversees work carried out by management teams within the organisation to manage those risks. Executive Risk Owners are responsible for continually monitoring the effectiveness of the risk management and mitigation plan. Residual exposure is discussed and assessed during regular meetings between the ERM team and each Executive Risk Owner. These meetings also focus on the internal and external drivers of the risks and the work required to manage them, alongside the effectiveness of existing mitigations and the status of any actions deemed necessary to further enhance these mitigations. Outcomes are reviewed by both the ERM team and Executive Risk Owners, then updates are included within the ERF.

The ERM team uses a risk dashboard to enable ongoing assessment of climate-related risks and other business risks. It is used to inform, refresh and validate the status of each risk with the respective Executive Risk Owners and the NSE CRO twice a year on a mandatory basis. At these reviews, the Executive Risk Owners and the NSE CRO assess whether current risk management activities are sufficient. If additional action may be or is required for climate-related risks, these are prioritised and given 'special focus' (requires more detailed management monitoring) or 'action required' (immediate additional mitigating actions are required) status, and more detailed management and monitoring will be carried out as a result. Management teams are accountable for implementing risk management and mitigation plans. The NSE World*Climate* team (which manages the firm's own sustainability transformation, including its climate response) holds regular discussions with the Executive Risk Owners and the NSE CRO to gain insight and consult on progress relating to climate-related risks.

Executive Risk Owners' residual risk assessment for each climate-related risk and opportunity, is presented to the NSE Executive for approval and NSE ARC for review and oversight, with plans to manage and monitor the risks communicated to the NSE ARC twice a year.

As outlined above, the process for identifying, assessing and managing climate-related risks and opportunities is fully integrated into Deloitte NSE's overall risk management process. The end-to-end climate-related risk management process is owned by the Climate SteerCo to ensure progress against identified climate-related risks and opportunities is monitored, outcomes are evaluated and a holistic view of climate-related impacts on Deloitte is provided to the NSE Executive.

Strategy

d) Describe the principal climate-related risks and opportunities arising in connection with the LLP's operations, and the time periods by reference to which those risks and opportunities are assessed.

e) Describe the actual and potential impacts of the principal climate-related risks and opportunities on the LLP's business model and strategy.

f) Provide an analysis of the resilience of the LLP's business model and strategy, taking into consideration different climate-related scenarios.

The following pages outline Deloitte's strategic response to the material climate-related risks and opportunities impacting the business. It incorporates three separate climate scenarios and time horizons.

Time horizons

Deloitte has defined the short, medium, and long-term time horizons used to consider and monitor climate-related risks and opportunities as follows:

2023 — 2027 — 2030 — 2040 — 2050

Short-term

Short-term is defined as the next 4 years, which aligns with Deloitte's internal planning and forecasting timeframes.

Medium-term

Medium-term is defined as 4-7 years, in line with Deloitte NSE's World*Climate* near-term 2030 goals.

Long-term

Long-term is defined as greater than 7 years (up to 2050) in line with UK and EU jurisdictional net zero targets.

Climate scenarios

Deloitte has identified the Network for Greening the Financial System (NGFS) Climate Scenarios as the publicly available resource most relevant to Deloitte NSE when it comes to understanding how climate change, climate policy and technology trends could evolve in different futures. Deloitte is not a financial services provider or institution; it is a professional services organisation with diverse geographic and sectoral exposure similar to that experienced in the financial services sector. It was therefore decided that the NGFS scenarios, rather than, for example, the World Business Council for Sustainable Development (WBCSD) scenarios, which are designed for energy companies, would be most suitable to better understand Deloitte NSE's future possible climate risk and resilience.

Deloitte selected three scenarios – Current Policies (3^{o}C), Divergent Net Zero and Orderly Net Zero by 2050 – to assess the impacts of climate-related risks and opportunities across the applicable short, medium, and long-term time horizons. Choosing two net zero scenarios with similar policy ambitions (below 1.5°C) but different policy reactions enable a range of risks and opportunities to be captured in a transition scenario, factoring in the market and regulatory drivers to which Deloitte NSE is most exposed to. This is particularly true given the comparable climate policies and net zero ambitions of the UK and EU, and the relative financial importance of these markets to NSE's overall revenue. The Current Policies scenario captures the extreme warming future where physical climate impacts could put business operations and continuity at risk.

Analysis was performed using the firm's internal scenario modelling, which assessed each climate scenario's potential positive and negative implications. The selected scenarios enable enable Deloitte to assess robustly the impacts of climate change over the short, medium, and long-term under three possible pathways, with global warming ranging from 1.5°C to 3°C.

Table 1 – Scenarios

	Current Policies (3°C)	Orderly Net Zero	Divergent Net Zero
Definition	Currently implemented policies regarding climate and energy are maintained, with no additional new climate-related regulation. The world relies on fossil fuels as the engine of economic growth, resulting in significant global warming that drives changes in the frequency and/or severity of extreme weather events, causing extensive business disruption. Emissions grow until 2080 leading to about 3°C of warming by the end of the 21st century with severe physical risks.	A high level of decarbonisation is achieved through robust climate policies and innovation in a steady, orderly fashion. It also assumes an immediate introduction of ambitious climate policies. Carbon removal technologies are used to accelerate global decarbonisation efforts but are kept to a minimum. Global emissions reach net zero by 2050, which limits warming to 1.5°C by the end of the 21st century. Physical risks are relatively low, but transition risks are moderate to high.	Global emissions reach net zero by 2050, which similarly limits warming to 1.5°C by the end of the 21st century. However, this scenario is associated with higher transition costs due to varying policies introduced across sectors and governments, as well as a quicker, but later, phasing out of fossil fuels. Compared to the Orderly Net-Zero scenario, the Divergent Net-Zero scenario assumes climate policies are more stringent in the transportation and building sectors.
Political	• Global climate diplomacy fails. • Nations give up climate targets to focus on economic growth.	• Global climate diplomacy is a success. • Nations cooperate to create ambitious climate policy.	• Global climate diplomacy fails. • Nations issue their own climate policies at varying levels of ambition and lack coordination.
Economic	• Consumption-led economic growth is achieved through the 2020s. • By the 2040s, physical climate impacts start dragging on economic growth.	• A global carbon price is established early. • The financial system includes climate risk as a core consideration.	• A global carbon price is put in place late. • Carbon prices for the transportation and building sectors are three times the carbon price in services and industry sectors.
Technology	• Trust is placed in technology to help society adapt to climate change. • As physical impacts worsen, governments invest in adaptation measures.	• Low-carbon technology focuses on ultra-efficiency in processes. • High research and development spend leads to technological breakthroughs in the 2030s.	• Low-carbon technology focuses on ultra-efficiency in processes but lower use of carbon dioxide removal technology than the Orderly Net-Zero scenario. • High research and development spend leads to technological breakthroughs in the 2030s.
Environment	• Strong increases in the frequency and/or severity of extreme weather events, causing major disruptions or damages. • Health impacts and humanitarian crises occur in all countries.	• The worst physical impacts are avoided, but the climate continues to warm, resulting in disruptions and damage. • Nature-based solutions are pursued or adopted.	• The worst physical impacts are avoided, but the climate continues to warm, resulting in disruptions and damage. • Nature-based solutions are pursued, but to varying degrees across jurisdictions.
Legal	• Climate-related laws and litigation have little impact in the 2020s. • Cases against corporations shift the regulatory environment in the 2030s.	• Swathes of stiff climate-related environmental regulation are introduced in the 2020s.	• Climate-related laws and litigation have little impact in the early 2020s. More extensive litigation occurs in the 2030s, but it varies across jurisdictions. • Swathes of stiff climate-related environmental regulation are introduced in the late 2020s and early 2030s.

Process for identifying climate-related risks and opportunities

Deloitte applied a qualitative five-step methodology for determining climate-related risks and opportunities impacting the firm:

Step 1

Define the risks and opportunities using Deloitte's cross-industry and cross-sector climate risk and global risk universe.

Step 2

Stakeholder workshops to qualitatively assess impact and likelihood and define applicable time horizons.

Step 3

Qualitative validation of risks and opportunities by considering qualitative scoring, geographic analysis and climate scenarios.

Step 4

Qualitative analysis of the impacts against future climate change scenarios and collect data from internal and external sources.

Step 5

Summarise material risks and opportunities under each future climate change scenario applicable across time horizons.

The climate-related risks and opportunities assessment used the same likelihood and impact risk criteria as the firm's ERF, which is described in the Risk management section above.

Identified climate-related risks and opportunities were assessed by members of the Climate SteerCo (as well as other key stakeholders across NSE's operations) by scoring the likelihood and impact for each risk and opportunity. Together with qualitative analysis based on market data, an average combined score was then calculated for each risk and opportunity to understand the significance to Deloitte. Following consideration and approval by the Climate SteerCo, the climate-related risks and opportunities that were determined to have a potential impact on the business have been disclosed below.

Two types of climate-related risks and opportunities have been determined as having a potential impact: physical (acute and chronic) and transition (market, reputation, policy and legal). Further analysis has been performed for these, including impact assessments and scenario modelling (against the three scenarios identified above) and corresponding strategic responses. The results have been included in the table below.

Summary of material climate-related risks and opportunities

The table below shows the list of climate-related risks and opportunities identified as having a potentially material impact on Deloitte NSE. Due to the limited availability of public data and the extensive number of assumptions involved, Deloitte has not quantified the financial impact of these risks and opportunities at this time. Instead, Deloitte has performed a qualitative impact assessment through narrative alone. Quantification of the financial impact (e.g., revenues and costs) on all climate-related risks and opportunities will be further developed in future reporting periods.

As a professional services organisation, the firm considers the impact of climate-related risks and opportunities to be consistent across its primary service offerings (Consulting, Financial Advisory, Risk Advisory, Audit & Assurance, Tax and Legal), so has not performed sector-specific analysis. Similarly, due to the global nature of Deloitte's operations, geographic impact has not been considered for the below transition risks and opportunities as the firm expects these to be largely consistent across all NSE National Practices.

Table 2 – Material climate-related risks and opportunities

Risk or opportunity	Description and potential impact to Deloitte NSE	Potential impact under climate scenarios and time horizons	Strategic response and resilience
Physical: Acute and Chronic **Risk: Disruption to business operations and service delivery due to extreme weather events impacting infrastructure (e.g., data and delivery centres) and employee productivity.**	Climate-related physical risks could impact Deloitte's infrastructure and employees, and could result in reduced revenue caused by business disruption and productivity loss. These impacts could be driven by acute (e.g., increased severity of storms, floods and wildfires) or chronic (e.g., rising mean temperatures) physical risks.	In all scenarios, physical risks to Deloitte will increase from the short to medium-term. Physical risks are expected to be identical in the short-term due to 'committed warming' (emissions already released). In the medium term, under the Net Zero scenarios, physical risk impact should plateau. Under a 3°C scenario the frequency and severity of extreme weather events will continue to increase over the medium and long-term. The risk to NSE infrastructure and employees and corresponding revenues over the long-term aligns accordingly. **Geographic impact:** Deloitte NSE has numerous data and delivery centres across its geographies. The distribution of these will mean that the risk of business interruptions is somewhat diversified, but also that employees' productivity may be affected by physical climate events outside their region. The physical risk impact on employees will vary by National Practice and type of event.	Deloitte is exploring a range of mitigants to respond to climate-related physical risks, for example through the firm's agile and flexible working approach. This helps mitigate productivity loss resulting from acute physical risk events given many Deloitte employees can carry out a significant proportion of their work remotely at a time that is convenient to them. While the flexibility in working location and pattern reduces the impact of disruption caused by acute physical risks on productivity and corresponding revenues, it does not mitigate longer-term chronic physical risks (such as rising mean temperatures) impacting employees' health, wellbeing and ongoing productivity. Further options are being explored to respond to such longer-term risks. As part of Deloitte's World*Climate* strategy, the firm plans to embed climate-smart considerations into office operations and real estate decisions. In the longer term, as severe weather event impacts are better understood, these will be incorporated in real estate strategies. Work is under way to understand the physical risks to data centres, particularly considering the impacts on system-wide regional infrastructure. In addition, the firm is exploring plans to move to the cloud to diversify the potential impact of extreme weather events.

Table 2 – Material climate-related risks and opportunities (Continued)

Risk or opportunity	Description and potential impact to Deloitte NSE	Potential impact under climate scenarios and time horizons	Strategic response and resilience
Transition: Market **Risk: Change in revenue from clients in sectors that are highly exposed to climate change and/ or that are unable to transition.**	The firm recognises that it will be impacted in some way by the policy, market and technological changes brought by a transition towards a low-carbon economy. The precise nature and scale of the impact for certain sectors and companies is currently unclear. However, due to the size of Deloitte's client base, it is inevitable that some clients will be negatively impacted, which could have a knock-on effect on Deloitte's ability to provide services to those clients and, therefore, generate revenues.	Exposure to climate change is of a different nature under each scenario and will inevitably impact the services Deloitte provides. Under a 3°C scenario companies will face ever increasing impacts from physical risks in the medium to long term but less so from transition risks. In the Divergent Net Zero scenario companies are less likely to be impacted in the short term as neither physical nor transition risks are prevalent but may experience growing transition risks in the medium term, and acceleration of these in the long term. Meanwhile, under the Orderly Net Zero scenario, companies are expected to face transition risks concentrated in the short and medium term but less so in the longer term as they adapt. Using the energy sector as an example, and the demand for fossil fuels in particular, the Net Zero transition scenarios will likely see a faster decline in fossil fuel use as a total percentage of energy use, compared with the 3°C scenario, but on differing timelines. A Divergent Net Zero transition may see a steep decline in fossil fuel dependency in the longer term, while the Net Zero scenario will likely experience a more gradual decline due to a higher use of carbon removal technologies. The 3°C scenario may see a relatively high and growing share of fossil fuels as a percentage of total energy use across all time horizons.	Deloitte's ability to work across multiple sectors and geographies, and with numerous organisations from listed to entrepreneurs, results in a diversified business and acts as a form of mitigation against the risk. As a result of this diversified portfolio, the firm is well equipped to identify, adapt and pivot its client portfolio in line with a low-carbon economy.
Transition: Market **Opportunity: Increased revenue and growth by offering new climate -related services, and expanding existing ones, to support clients in their response to climate change and contribute to the economy-wide, low-carbon transition.**	Deloitte benefits from being a global business with a breadth of skills, resources and experience developed through its long-standing relationships with companies across multiple industries. The firm has an opportunity to grow its climate service offerings and corresponding revenues while contributing to economy-wide, low-carbon transition across its geographies, as well as creating an impact that matters for clients. These services include, but are not limited to, climate adaptation (e.g., value chain resilience) and net zero transformation advice, assessment of climate-related risks and opportunities, as well as climate and sustainability-related reporting and assurance services.	All three scenarios are anticipated to provide opportunities to increase revenues from climate and sustainability services, but these may vary in nature and timing of service demanded. Net Zero transition scenarios are expected to result in a higher demand from clients in most, if not all, industries for transition services as new climate policies are introduced. The Orderly Net Zero is more likely to impact in the short term, whilst Divergent Net Zero is in the medium to long term. Under the 3°C scenario, increased demand for adaptation and mitigation services due to physical risk exposure is more likely to arise in the medium to long term due to the slower introduction of regulations.	Deloitte is already responding to this demand. In 2022, the firm announced a global investment (including NSE) of US$1 billion in client-related services, data-driven research and other capabilities focused on sustainability and climate change. Deloitte has since developed sustainable technology capabilities (e.g., RegHub[6], GreenSpace Tech[7] and GreenLight[8]) to support clients with specific ESG reporting requirements and business model changes. Deloitte will continue to innovate and expand these offerings to meet the demand and changes in requirements to achieve a low-carbon economy. Deloitte will continue to make a difference to its clients, offering tailored climate and sustainability services and supporting their response to climate-related issues and regulatory changes.

[6] RegHub | Deloitte UK
[7] GreenSpace Tech by Deloitte | Deloitte Global
[8] Deloitte Greenlight Solution

Table 2 – Material climate-related risks and opportunities (Continued)

Risk or opportunity	Description and potential impact to Deloitte NSE	Potential impact under climate scenarios and time horizons	Strategic response and resilience
Transition: Reputation **Risk: Reduced potential to attract and retain talent across the business because of a perceived inadequate response to climate change.** **Opportunity: Increased ability to attract and retain talent by implementing and demonstrating a robust climate response.**	People are at the heart of Deloitte's operations and service offerings. In the Deloitte Global 2023 Gen Z and Millennial Survey[9], professionals reported strong views on the importance of employers acting on climate change, with over half of Gen Zs (55%) and millennials (54%) saying they research a brand's environmental impact and policies before accepting a job. Approximately half of Deloitte's employees are aged below 30[10] (Gen Z or millennial), indicating that its response to climate change may impact perceptions of the firm's current and future workforce, driving attrition and retention trends. As a professional services business, any change in attrition or retention of talent is expected to have a corresponding impact on future operating costs and revenues, as well as on the firm's ability to provide services to its clients.	Under all three scenarios, the awareness of climate issues and the need to embrace action will influence employment decisions and depending on the firm's performance and credentials, could result in a risk or opportunity. Within this, it is reasonable to expect that a more significant proportion of the population will make choices driven by an awareness of climate change and a desire to contribute to the transition through, for example, employment choices in the short, medium and long term. Similarly, this risk and opportunity would only be expected to materialise in the medium to longer term under the Divergent Net Zero or 3°C scenarios. Under a 3°C scenario, employees (both current and future) will expect action and hence show greater interest in the firm's climate credentials in the long term, as the physical climate impact increases.	Deloitte is committed to achieving the near-term (2030) carbon reduction goals defined in its World*Climate* strategy (see page 18). These cover the firm's operations and its value chain, with commitments to decarbonise, also helping clients to reduce their own scope 3 footprint and support the economy-wide low-carbon transition. It showcases the work it does with clients and partners to accelerate the low-carbon transition in its annual reports. Deloitte obtains external limited assurance over Scopes 1 and 2 and relevant Scope 3 emissions (see the Targets and KPIs section below) to ensure the reliability of environmental and greenhouse gas (GHG) emissions data. This enables Deloitte to monitor progress more reliably against its targets and make sure it continues to act credibly in response to climate impacts across its operations and value chain. The World*Climate* strategy is also designed to drive responsible climate choices and helps both current and future employees to understand how the firm is acting against climate change. Initiatives such as dedicated climate learning modules for new starters, a sustainability learning week, sector climate and sustainability workshops and tools like Giki Zero (a personal carbon footprint calculator) inform employees worldwide about the impacts of climate change and empower them to make more sustainable choices at home and at work.
Transition: Reputation **Risk: Damage to reputation and client relationships by failing to act credibly to manage the climate impacts of Deloitte's operations and value chain.**	As a leading professional services organisation, Deloitte NSE is highly dependent on its brand and public perception. These contribute to the firm's ability to continue to act in the public interest, as well as build new, and strengthen existing, client and stakeholder relationships. If Deloitte is perceived to have inadequately addressed climate change within its own operations and value chain, there is a risk that the public will lose confidence in the services Deloitte provides, and clients may choose to limit, or not engage in, business with the firm. Any damage to reputation and client relationships is expected to affect the firm's revenues and business growth. Furthermore, an increasing number of Deloitte clients now set minimum standards for climate-related pledges / progress as a basic requirement before engaging any suppliers. For example, some clients may only work with suppliers who have set Net Zero targets. These requirements will likely become more stringent over time, and a failure by Deloitte to keep pace and demonstrate suitable credentials could again result in a loss of contracts and revenues.	Under the Net Zero scenarios this risk increases from the short-term onwards. This is as a result of increased policy requirements and increased client action or expectation. Deloitte will need to match or exceed this pace of change to avoid losing contracts and revenues. Under the 3°C scenario, the risk will only increase in the longer term as the expectations to transition in response to climate change will be lower.	

[9] Deloitte 2023 Gen Z and Millennial Survey
[10] Facts & Figures | Deloitte

Table 2 – Material climate-related risks and opportunities (Continued)

Risk or opportunity	Description and potential impact to Deloitte NSE	Potential impact under climate scenarios and time horizons	Strategic response and resilience
Transition: Reputation **Risk: Reputational damage from providing services to (and therefore being associated with) clients perceived as having an inadequate response to climate change and inadequate climate credentials.**	Deloitte's brand and reputation is driven in part by the clients it serves. As such, providing services to (or being associated with) companies or sectors that are perceived as having unfavourable climate credentials or that are not willing to respond to climate, have not articulated a credible transition plan or are not transparent about their actions to address climate change could damage Deloitte's reputation. As a global organisation, reputational damage from providing services to clients across any of Deloitte's business offerings or National Practices could impact growth and revenue associated with future client services.	Under both Net Zero scenarios, it is expected that there will be ambitious climate policies. Where climate expectations for businesses are high, the reputational impacts that might be associated with climate inaction are likely to be most significant in the medium to long term. Meanwhile, under the 3°C scenario, whilst societal expectations and demands for adequate climate action are also expected to increase over the medium to long term, the reputational impacts that might be associated with climate inaction are likely to be less due to the absence of global policy.	To mitigate potential impact on its reputation, the firm is diligent in deciding which clients it works with and the work it does for them. For example, its client and engagement acceptance procedures enable Deloitte to assess, and be resilient to, potential reputational damage, with escalation to National Practice or NSE Public Interest and Consistency Groups in particularly challenging cases. Such groups consist of firm partners who meet regularly to review and challenge client opportunities with a public interest element. Discussions include the type of clients involved and the nature of the service and are designed to reduce reputational damage to the firm.
Transition: Policy & Legal **Risk: Increased costs and reputational damage arising because of climate litigation (and/ or accusations of greenwashing) including from inadequate provision of climate-related services.**	The desire of organisations to consider climate-related impacts and respond to related legislation has increased, and is likely to continue increasing, the demand for Deloitte's services. This could result in Deloitte facing a corresponding increase in the frequency and severity of climate-related litigation, and/or accusations of greenwashing if the firm fails to deliver on quality. Such an increase in the frequency and severity of climate-related litigation claims could impact future costs incurred by Deloitte and lead to reputational damage.	Climate-related litigation is expected to rise under all three scenarios, but the phasing of the increase will vary. This risk is expected to materialise fastest in the short term under the Orderly Net Zero scenario as stricter climate and greenwashing regulations would be introduced sooner. Climate-related litigation claims are still expected to increase for the Divergent Net Zero and 3°C scenarios, but over the medium and long terms in response to more delayed regulatory transition scenarios.	Deloitte ensures a robust, proactive and effective approach to quality management throughout each of its services (e.g., Deloitte's Audit & Assurance practice complies with the International Standard on Quality Management ("ISQM") 1). The firm also provides its practitioners with mandatory training to understand the policies, practices and standards they must follow while performing work both internally and for clients. Similarly, the firm conducts internal reviews of climate-related engagements to ensure high quality and reduce the risk of reputational damage to Deloitte due to climate-related matters. Quality is at the forefront of all Deloitte's services and although climate litigation and/or accusations of greenwashing are risks inherent to its business, its quality processes manage and significantly mitigate this risk.

World*Climate* Strategy

Climate-related risks and opportunities are considered in Deloitte's strategic, operational and financial planning process and this ensures decisions not only align to the firm's purpose, but contribute to the economy-wide low-carbon transition. Alongside the US $1bn global investment in the firm's Climate and Sustainability practice, Deloitte carefully considers the services it provides and to whom, and recognises the potential impact of those services on society and the planet. Its aim is to protect and enhance its reputation as a responsible business and increase its standing among stakeholders. Deloitte also invests in the efficiency and resilience of its operations.

Deloitte's strategic response to climate-related risks and opportunities is founded on its World*Climate* strategy and its transition to a sustainable business, which is built on the following pillars:

01. Net zero with 2030 goals: Deloitte's near-term (2030) greenhouse gas (GHG) reduction goals, which are validated by the Science Based Targets initiative (SBTi) as being 1.5°C-aligned, science-based targets.

02. Embed sustainability: The transition requires holistic thought and action, so Deloitte is making sustainability central to how the firm operates. This includes aligning climate policies, practices and actions across the National Practices, making senior leadership responsible for delivering the World*Climate* strategy, and embedding climate-smart considerations into decisions related to office operations, real estate, technology and other enabling areas.

03. Empower individuals: Deloitte is inspiring and empowering its people to own the change by engaging and educating them on climate change and the impact of their decisions (e.g., what people consume, use and buy). The firm is also encouraging them to amplify these choices through their personal networks. Since 2021, all Deloitte people and partners have been provided with a learning module to help them better understand climate change and Deloitte's climate and sustainability goals, and to recognise how they can make responsible climate choices.

04. Ecosystem plays: Collaboration with Deloitte clients, alliance partners, non-governmental organisations, industry groups, suppliers and others to help address climate change and work on initiatives where, collectively, significant change can be accomplished.

Deloitte's net zero plans for transitioning

Deloitte is committed to becoming net zero. The first phase of its long-term decarbonisation programme is to deliver on its near-term 2030 carbon reduction goals, which have been validated by the SBTi as being in line with a 1.5°C decarbonisation pathway. See the Targets and KPIs section below for Deloitte's near-term carbon reduction goals and commentary on progress against these. Deloitte's long-term commitment is to become net zero, reducing absolute emissions by over 90% in line with the SBTi Corporate Net Zero Standard and neutralising any residual emissions.

Direct emissions (Scope 1 and 2) from Deloitte's vehicle fleet and real estate made up 8% of its total emissions in FY2023. The following measures continue to be implemented to reduce direct emissions in line with the firm's science-based targets:

- Adapting the **size and location** of workspaces to better support Deloitte's hybrid working model. This includes tracking and setting targets for optimum use of workspaces.
- Working with landlords to **phase out gas heating systems** in Deloitte's workplaces and installing on-site renewables where feasible.
- **Electrifying the firm's vehicle fleet** by incentivising electric vehicle options and phasing out internal combustion engine options. In FY2023, 42% of Deloitte NSE's vehicle fleet is fully electric or plug-in hybrid.
- **Purchasing renewable electricity** for the firm's entire consumption, either through green tariffs or Renewable Energy Certificates.

Indirect emissions (Scope 3) make up the majority of Deloitte's FY2023 emissions and arise from its supply chain, business travel, home-working and commuting. The firm is tackling indirect emissions by:

- **Engaging with Deloitte's largest global suppliers**, encouraging them to set science-based carbon reduction targets and report carbon emissions.
- Building a Sustainable Delivery clause **(Clause Zero)** into client engagement letters and contracts to set out how Deloitte wants to work in a more sustainable way. This includes reducing business travel by investing in technology to allow more virtual collaboration and hybrid working. Clause Zero is backed up by the firm's Sustainable Delivery Framework, which is a suite of tools that help people make more sustainable choices when delivering projects.
- Educating Deloitte's people to better **understand the impact of their personal decisions and providing access to resources** that will enable them to **reduce emissions generated by home-working and commuting.**

Achieving net zero is Deloitte's key climate ambition and the firm is investing in and resourcing this commensurately. However, the transition will take time. That's why, in addition to the plans described above, Deloitte has committed to funding Beyond Value Chain Mitigation projects that support societal decarbonisation outside of its own carbon footprint. Deloitte delivers on this by purchasing high quality carbon credits and providing skills-based support to organisations and initiatives that are contributing to the net zero transition.

Targets and KPIs

g) Describe the targets used by the LLP to manage climate-related risks and to realise climate-related opportunities and of performance against those targets.

h) Describe the key performance indicators (KPIs) used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those key performance indicators are based.

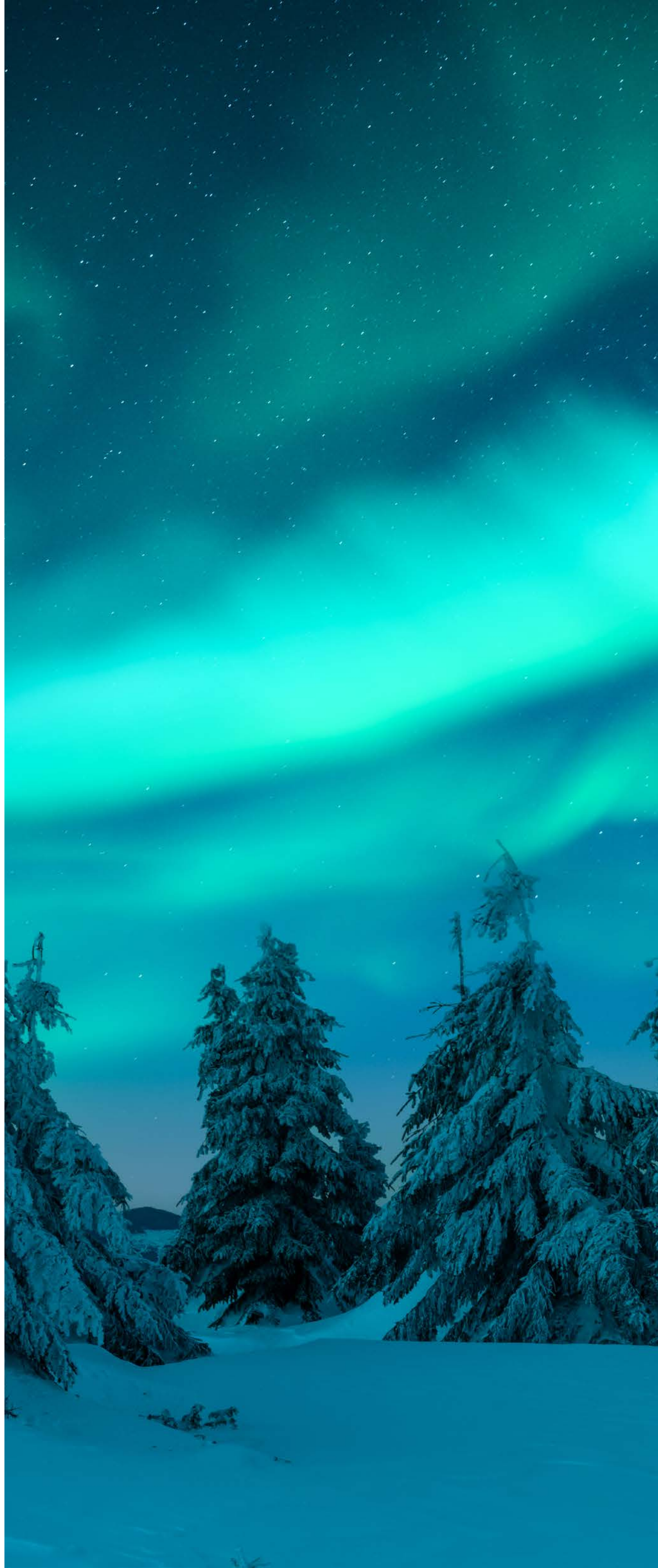
Deloitte has committed to becoming net zero over the long-term, before 2050, in line with the guidance set out in the SBTi Corporate Net Zero standard. It has made further commitments, which include joining the UN's Race to Zero Campaign[11] and supporting the Climate Group commitments[12] on renewable energy, electric vehicle adoption and energy productivity. The World*Climate* strategy was launched to achieve such commitments through transformation of the firm's operations and value chain, and by working with third-party partners.

In support of its net zero ambition Deloitte has set near-term science-based carbon targets. These also represent the headline targets for the firm's World*Climate* programme. To demonstrate performance against these and broader World*Climate* commitments, the firm calculates and reports on a set of environmental performance metrics covering GHG emissions, energy consumption, renewable energy adoption, waste production and water usage in its annual GHG emissions statement. This includes NSE's GHG emissions for the reporting period measured against historical periods, including the baseline year of FY2019.

Below, Deloitte has reproduced its science-based near-term carbon targets and performance against these, as well as GHG emissions and energy data set out in line with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (SI 2018/1155) which implement the UK government's policy on Streamlined Energy and Carbon Reporting (SECR).

Deloitte science-based near-term targets[13]:

- Reducing Scope 1 and 2 emissions by 70% from a FY2019 baseline, by FY2030, through:
  - Sourcing 100% renewable energy for the Deloitte's buildings by FY2030.
  - Converting 100% of the Deloitte network's fleet to hybrid and electric vehicles by FY2030.
- Reducing Scope 3 business travel emissions by 50% per-full time equivalent from the FY2019 baseline by FY2030.
- Engaging with the firm's major suppliers and having 67% (by emissions covering purchased goods and services, and business travel) adopt science-based targets by 2025.



[11] Race To Zero Campaign | UNFCCC
[12] We are committed to 100% renewable power | Climate Group (theclimategroup.org)
[13] Deloitte does not currently have an emissions reduction target for Scope 3, but the overall net zero ambition commits the firm to an absolute reduction in all emissions on a long-term basis. Deloitte is in the process of setting science-based, long-term net zero targets for its entire footprint.

Table 3 - Performance against targets

Performance against targets	2023[14]		2022[14]		2019 (baseline)	
	UK	NSE	UK	NSE	UK	NSE
Reduce Scope 1 and 2 emissions by 70% by 2030	-76%	-60%	-69%	-60%	-	-
Reduce business travel emissions by 50%/ FTE by 2030	-69%	-64%	-86%	-80%	-	-
100% of company vehicles to be EV/PHEV by 2030	94%	42%	81%	26%	0%	7%
100% of electricity to be from renewables by 2030	100%	100%	100%	100%	72%	40%
67% of strategic suppliers have set Science-Based Targets by 2025	20%	20%	14%	14%	-	-

The below table shows Deloitte's Scope 1, 2 and 3 GHG emissions (in tCO_2e) and energy consumption (in kWh) for the year ended 31 May 2023. This includes both UK (in line with the LLP (Energy and Carbon Report) Regulations 2018) and NSE operations[15].

Table 4 - GHG emissions and energy consumption

	2023		2022		2019 (baseline)		Difference to baseline	
	UK[A]	NSE[A]	UK	NSE[‡]	UK	NSE[‡]	UK	NSE
GHG emissions (tCO_2e)								
Scope 1 – combustion of gas	1,582	3,090	1,958	3,612	3,083	5,184	-49%	-40%
Scope 1 – combustion of fuel for transport purposes	26	21,086	23	20,234	109	32,145	-76%	-34%
Scope 2 – electricity purchased for own use (location-based)	3,310	14,862	4,639	18,179	8,802	26,892	-62%	-45%
Scope 2 – electricity purchased for own use (market-based)	0	0	0	0	3,356	23,900	-100%	-100%
Scope 2 – district heating or cooling	0	1,752	133	1,978	258	2,419	-100%	-28%

[14] Figures against the first two targets show % change against the FY2019 baseline; against the other three targets figures show absolute %.

[15] NSE operations includes NSE entities in all countries as set out on page 4 of this report. It should be noted that this entire climate report is also published as part of the Deloitte NSE LLP Annual Report (which is available from Companies House) as required by the UK CFD Regulations. The NSE metrics included in the equivalent of this Table 4 in the Annual Report only refer to Deloitte NSE LLP and its subsidiaries (as required by the UK CFD Regulations); those metrics do not include all NSE entities in the countries as set out on page 4.

Table 4 - GHG emissions and energy consumption (Continued)

	2023		2022		2019 (baseline)		Difference to baseline	
	UK[A]	NSE[A]	UK	NSE[‡]	UK	NSE[‡]	UK	NSE
Scope 3 – business travel in rental cars or employee-owned vehicles where the firm purchases the fuel	979	3,740	525	2,555	2,712	6,965	-64%	-46%
Scope 3 – other business travel	21,884	46,960	8,133	16,401	48,287	89,076	-55%	-47%
Scope 3 – purchased goods and services (PG&S)	91,257	221,186	44,225	122,379	44,452	111,278	105%	99%
Scope 3 – commuting and homeworking	7,098	32,622	6,800	25,030	13,640	34,545	-48%	-6%
Total gross GHG emissions (location-based)	**126,136**	**345,298**	**66,436**	**210,368**	**121,348**	**308,504**	**4%**	**12%**
Total gross GHG emissions (market-based)	**122,826**	**330,436**	**61,797**	**192,188**	**115,897**	**306,011**	**6%**	**8%**
Total gross GHG emissions (market-based) per FTE[†]	4.67	4.56	2.75	3.09	6.44	6.19	-27%	-26%
Certified Emission Reductions	**31,569**	**109,249**	**61,796**	**192,188**	**42,079**	**74,047**	**-25%**	**48%**
Energy consumption								
Energy consumption – all sources (kWh)	**29,933,000**	**206,874,118**	**35,465,448**	**200,284,728**	**60,832,710**	**284,689,712**	**-51%**	**-27%**

[A] Metric is subject to limited assurance, in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) and ISAE 3410, by the firm's auditors for the year ended 31 May 2023. BDO's Independent Limited Assurance Reports have been published on Deloitte's website for NSE and the UK.

[‡] From 2019 to 2022, the metrics were subject to limited assurance, in accordance with ISAE 3000 and ISAE 3410, by the firm's auditors at NSE-level only.

[†] The Full-Time Equivalents (FTE) data shown here is sourced from Deloitte NSE internal management reporting. This is to ensure consistency of environmental reporting across Deloitte NSE. These FTE amounts may vary to those reported in Deloitte NSE and UK statutory financial statements, depending on country-specific reporting requirements.

Additional environmental metrics (such as waste production and water usage) can be found in the firm's annual GHG emissions statement.

Deloitte's revenue, costs, assets or business activities that are vulnerable to climate-related risks and opportunities have been considered within the Strategy section above to help qualitatively assess the impact of the relevant risks to the business.

Performance in 2023

In FY2023, Deloitte's performance against its near-term carbon reduction targets was positive. Scope 1 and 2 emissions are down 60% on the baseline of FY2019. While travel emissions have increased after COVID-19, they remain within the firm's target threshold (a 50% reduction per FTE against FY2019) and the increase has stabilised during FY2023. 100% of Deloitte energy consumption is renewable, the percentage of electric vehicles in the vehicle fleet has risen from 26% to 42% and more of Deloitte's suppliers have set science-based targets.

Looking beyond Deloitte's headline targets to total emissions, these rose by 8% on FY2019 levels and 72% on FY2022. The increase from FY2022 was driven by rises in both PG&S and travel emissions (albeit travel emissions growth has levelled off).

To tackle travel emissions, Deloitte is transforming its business delivery, including through the launch of Clause Zero, a Sustainable Delivery clause that is being added to client engagement letters. This is supported by a range of tools that make up Deloitte's Sustainable Delivery Framework. Together, these are helping Deloitte's people to work with clients to reduce project-related travel emissions.

Increased PG&S emissions are driven by changes in the sector emissions factors from the Carbon Disclosure Project (CDP), which the firm applies to its procurement spend to calculate emissions. These changes are due to more accurate and complete reporting by suppliers to the CDP. Deloitte has little control over suppliers' emissions and related CDP industry emissions factors. However, it will continue to engage in supplier and sector partnerships to accelerate supply chain decarbonisation in line with its supply chain science-based target.

Deloitte's energy consumption increased by 3% between FY2022 and FY2023 but has fallen by 27% since the FY2019 baseline. During FY2023, 100% of electricity consumption was renewable, with 49% direct from certified renewable sources and the remainder covered by purchasing Energy Attribute Certificates (EACs). Deloitte purchased EACs for electricity that was procured on non-renewable tariffs directly by the firm and that was procured on non-renewable tariffs by its landlords and supplied to the firm.

With regards to Deloitte's UK operations, the firm has continued to drive energy efficiency across its estate in FY2023 by releasing a further two offices (three offices released in FY2022), using its Better Buildings process to deliver five UK sustainable refurbishment projects (three projects in FY2022), carrying out energy audits, operational improvements, and undertaking two capital projects (two capital projects undertaken in FY2022) within existing offices to drive further energy reduction.

The energy consumption of Deloitte's vehicle fleet increased in FY2023 in line with continuing post-COVID travel trends, but it remains 27% lower than in FY2019. The firm continues to prioritise the use of hybrid and electric vehicles and is gradually phasing out petrol and diesel vehicles from its fleets. In FY2023, 42% of Deloitte's fleet was electric or plug-in hybrid (up from 26% in FY2022).

Reporting methodology

In preparing the GHG emissions and energy data in this report, Deloitte has followed the 2019 UK Government environmental reporting guidance. GHG emissions have been calculated using an operational control consolidation approach as described in the GHG Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard created by the World Resources Institute and the WBCSD. The GHG emissions reporting boundary covers all entities and all facilities either owned or under the operational control of Deloitte NSE. Further information on the firm's application of this method is shown in the NSE GHG Emissions Basis of Reporting.

Energy consumption represents the aggregate of (a) energy consumed by activities for which the firm is responsible involving gas combustion, or fuel consumption for transport purposes, and (b) energy consumed resulting from purchasing electricity, heat or cooling for own use, including electricity for the purposes of transport. Electricity has been reported using both the location-based and market-based methods. All consumption is either through certified renewable tariffs or is covered by purchased Energy Attribute Certificates (EACs), so is reported as zero emissions under the market-based method.

The methodology for calculating PG&S emissions is based on procurement expenditure data. Assumptions have been applied to this data, including the allocation of expenditure into procurement categories, the treatment of suppliers' reported Scope 3 emissions and the CDP sector emission factors applied to each expenditure category.

The firm regularly reviews this approach to reduce the risks inherent in these assumptions and the impacts of year-on-year fluctuations. In FY2023, it revised the methodology for calculating real estate emissions included in reported PG&S emissions to align with updated sector guidance. As a result, upfront embodied carbon real estate emissions were removed from reported PG&S emissions. This change has been retrospectively applied to previously reported PG&S amounts, which has resulted in a restatement of PG&S emissions for all previous years and to the baseline of FY2019. The restatement has resulted in emissions decreases for Deloitte NSE of 46,743 tonnes in FY2022, 49,919 tonnes in FY2021, 39,605 tonnes in FY2020 and 29,700 tonnes in FY2019. Reported FY2023 PG&S emissions would be approximately 30,000 tonnes higher using the previous methodology.

Changes to UK PG&S emissions are broadly proportional to NSE, resulting in emissions decreases for Deloitte UK of 22,852 tonnes in FY2022, 18,233 tonnes in FY2021, 16,624 tonnes in FY2020 and 10,486 tonnes in FY2019. Further details on the revised methodology for PG&S emissions are provided in the NSE GHG Emissions Basis of Reporting.

It should be noted that, due to limitations on actual data, the commuting and working from home calculation includes assumptions. The firm continues to refine these assumptions and improve the methodology.

Next steps

Deloitte strives for best practice and is evolving its climate-related financial reporting to achieve this. Within future reporting, the firm is looking to include quantification against the climate-related risks and opportunities (where practicable) and develop risk and opportunity-specific metrics and targets to directly monitor each material climate-related matter set out in the Strategy section above.

The related metrics and targets described above are expected to fundamentally contribute to an overall reduction in emissions to deliver against the World*Climate* strategy and increase the firm's resilience to climate-related matters. All metrics and targets are expected to evolve over time and Deloitte aims to measure and manage all material climate-related risks and opportunities within future reporting to keep pace with leading practice.

The firm recognises that no performance-related metrics currently in place are incorporated into remuneration policies, and an internal carbon pricing framework has not been set. However, the implementation of such policies and frameworks is being considered for future reporting periods.