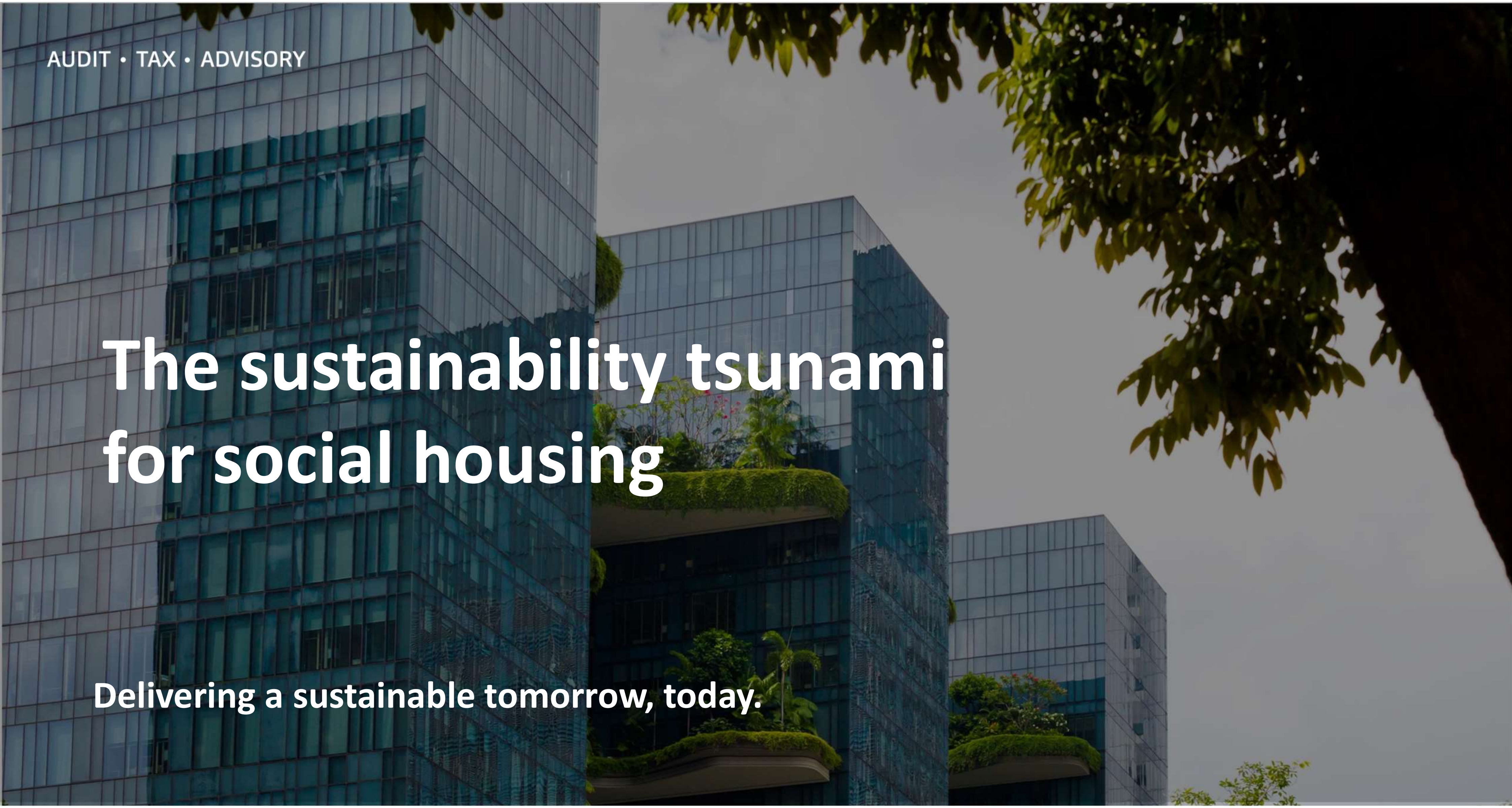

AUDIT • TAX • ADVISORY

The sustainability tsunami for social housing

Delivering a sustainable tomorrow, today.

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Our Speakers

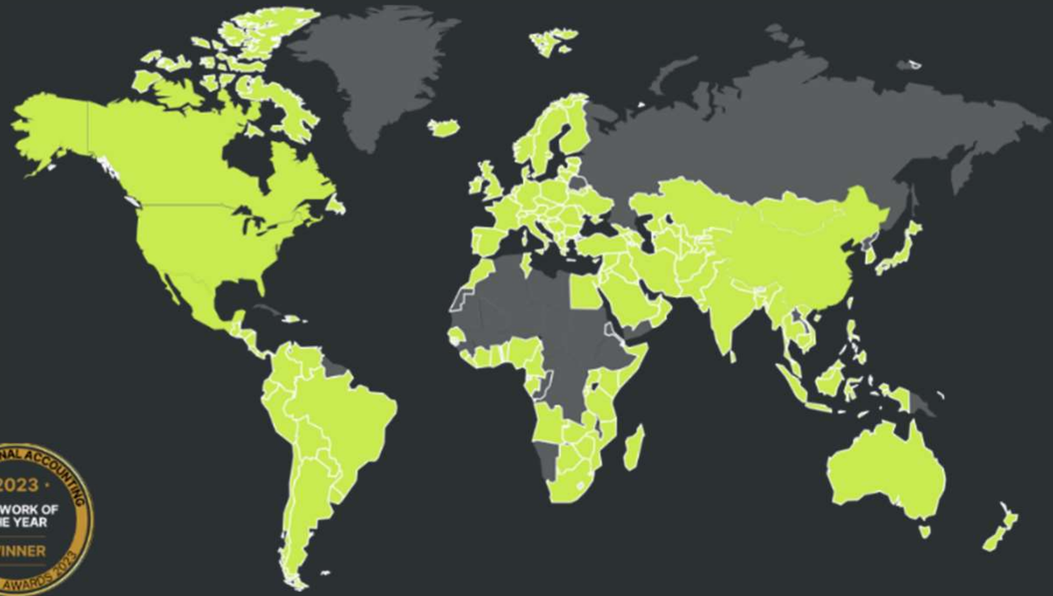
Mark Lumsdon-Taylor
Partner, MHA & Baker Tilly Ireland
Head of Sustainability & ESG

mark.lumsdon-taylor@mha.co.uk

Tim Dee-McCullough
Sustainability & ESG Technical Director,
MHA & Baker Tilly Ireland

tim.dee-mccullough@mha.co.uk

MHA and Baker Tilly International
Working Globally



MHA is the UK member firm of the Baker Tilly International network.

Baker Tilly International ('BTI') is a network of integrated accountancy and business advisory firms. BTI is one of the world's leading networks of Assurance Advisory & Specialised Consulting firms united by a commitment to provide exceptional client service.

Every day, 43,000 people in 141 territories share experiences and expertise to help public interest entities and privately held businesses meet challenges and proactively respond to opportunities. International capability and global consistency of service are central to the way we work. BTI is structured as a global network of independent firms owned and operated locally in countries worldwide.

With experts across a wide range of industry and business sectors, each BTI member firm combines high quality services and in-depth local knowledge.

Our people are more than just Accountants or Advisors. They make it their business to know and understand their clients' long-term ambitions, anticipating and responding to challenges as their clients pursue opportunities.

This model provides a platform that allows members to share knowledge, skills and resources to deliver global services of a consistently high standard to international and local clients, whilst maintaining the personal attention and partner involvement upon which we pride ourselves.

Baker Tilly Has a global Network of ESG Engagement of which the UK is one of the Leading Partner Firms in Audit, Assurance & Advisory.

658
offices

$5.2bn
2023 worldwide revenue (US$)

43,000
people

141
territories

MHA

We offer a full range of advisory services provided internationally including:

Dynamic ESG

Corporate finance

Tax planning

Audit and accounts

Business strategy

Outsourcing

We would also like to outline some of the other services we offer which we believe would be of interest to you.

Our partners have decades of professional and personal commitment to the sector, and a determination to identify practical, real- world solutions for our clients. Being actively involved in standard-setting means we not only help you understand changes you face, but help you prepare proactively.

Our Service lines:

- Banking & Finance
- Capital Markets
- Risk management
- Tax planning and advisory
- Business Insurance
- Mergers and Acquisitions
- Cloud Accounting
- Company Secretary services and registered office
- Corporate Finance
- Corporate Governance
- Cyber Risk Management
- Due Diligence
- Financial Training
- Forensic Accounting
- Global Business Services
- Grant & Royalty Audit
- Human Capital Advisory Services, HR Solutions, Global Mobility, Payroll, Company Secretarial Services
- Internal Audit & Risk Assurance
- International Business
- Restructuring & Recovery
- Sustainability & ESG
- Tax services: Corporate Tax, Transfer Pricing, Expatriate Tax, Employment Tax, International Business Tax, Property Tax, Private Client Tax, Share Incentives, VAT, Tax Investigations, Customs and Excise Duty.
- Wealth Management

THE SUSTAINABILITY HORIZON

UK – *Its Technical*

2019
Streamlined Energy and Carbon Reporting introduced in the UK, requiring disclosure of energy consumption (in kWh), together with scope 1 and 2 emissions (metric tonnes)

2021
Taskforce for Climate-related Financial Disclosures (TCFD) framework mandatory for premium listed groups in the UK

2023
TCFD implemented into UK Companies Act and now mandatory in full for 2023 for both large private and public companies where turnover exceeds £500m and average employees exceed 500

IFRS sustainability reporting
Incorporates TCFD reporting, expected to be endorsed at COP28 and will be considered for use in UK reporting from 2025, traditional materiality approach. Call for Evidence issued by Department for Energy Security and Net Zero on scope 3 reporting under IFRS S2 (October 2023)

ISSA 5000
Proposed IAASB assurance standard for sustainability assurance engagements, expected from 2025

Corporate Sustainability Reporting Directive (CSRD)
Wide-ranging new European Sustainability Reporting Standards, applicable to non-EU groups with material EU turnover or large EU subsidiaries/branches from 2027/28, applies ‘double materiality’

Taskforce for Nature-related Financial Disclosures (TNFD)
Considers environmental impact on ecosystems, biodiversity and indigenous communities, may be endorsed at COP28 or COP29, applies ‘double materiality’, effective date not yet known

Scope 4 emissions reporting
Not yet required by established frameworks, Scope 4 considers the emissions ‘avoided’ by a business, such as the carbon footprint of tenants and deliveries

UK climate-related financial disclosures (UK CFD)

Scope

- Assessed at UK parent level
- Applies to large private companies (including limited by guarantee) with >500 employees and £500m revenue
- Does not apply to friendly/mutual societies *but* best practice is to disclose if thresholds met

Consider your stakeholders – resident groups are increasingly vocal on this topic

Disclosure requirement

8 requirements on climate-related risks and opportunities, broadly aligned to TCFD pillars:

- Governance
- Strategy (including scenario analysis)
- Risk management
- Metrics and targets

Common issues noted with March 2024 disclosures

- No evidence of climate-related risks being discussed by Audit Committee, Board or ExCo, despite being named under the Governance pillar
- Opportunities not considered
- Risk registers not reflecting climate risks
- Inadequate explanation of *how* climate risk management is embedded into business-as-usual processes

Energy Savings and Opportunities Scheme (ESOS)

Scope

- Assessed at the entity level
- Applies to private companies (including limited by guarantee) with either:
  - Employees > 250 or
  - Revenue > £44m and gross assets >£38m
- Does not apply to friendly/mutual societies *but* 'one in, all in' approach with entities under common control inevitably brings these into scope

Requirement

- Perform an annual energy audit
- Appoint a lead assessor
- Register compliance with Environment Agency via MESOS system
- Deadline 5 July 2024

Common issues noted

- The Environment Agency has found its teeth and is beginning to bite – fines and penalties for non-compliance are now being issued

- Finance/Operational teams commonly ignoring Environment Agency letters

- ISO 50001 compliance is no longer sufficient in isolation

- If deadline missed, write to EA today specifying timeline and actions to be taken – they are generally forgiving where contrition is shown!

Streamlined Energy and Carbon Reporting (SECR)

Scope

- Assessed at the entity level, but may be a single consolidated disclosure for the entire group
- Applies to private companies (including limited by guarantee) defined as ‘large’ under the Companies Act 2006
- Does not apply to friendly/mutual societies *but* best practice is to disclose

Disclosure requirement

- Disclose energy consumption by energy source/fuel type
- Disclose greenhouse gas emissions for:
  - Scope 1 (direct emissions, e.g. diesel vehicles)
  - Scope 2 (indirect through purchased electricity)
- Intensity ratio
- Energy efficiency actions taken in the year
- Voluntary: scope 3 emissions (indirect, through value chain)

Common issues noted

- Completeness of scope 1 disclosure – independent assurance or verification increasingly important

- Finance teams not appreciating the importance of this disclosure – increasingly considered by Government departments when allocating funding

- Selecting an appropriate denominator for the intensity ratio, for example:
  - Revenue is a weak example as does not usually represent consumption or output
  - More objective measures include headcount / FTE, square metres of property operated

- Construction programmes and shared services (eg community spaces) – very rarely considered but technically in scope due to operational control

ESG – why should your organisations do it?
(environmental, social and governance)

Supply chain

If you are a supplier to a listed Large Company or LLP then your organisation is part of that company's Scope 3 Reporting.

If the company is mandated to report its GHG emissions and you are not reporting them too, then your company is a problem for the reporting organisation. It may be easier for them to switch to a company that does have an active ESG programme.

Government departmental work

All government departmental tenders now require evidence of ESG compliance to be eligible to be considered for tender.

No ESG programme, no tender.

Efficiency improvements

A robust ESG programme will provide a heightened focus on areas that can be more efficient.

Improved efficiency can mean improved profitability.

Better business loan repayment terms

Lending institutions are obliged to take into account ESG compliance when approving loans.

Not only will some lending institutions refuse loans for non-compliant companies, they can often offer better terms for organisations that are compliant, especially when loans are for ESG-related improvements (particularly environmental/ energy efficiency).

Competitive advantage

With increasing numbers of customers, consumers, staff and other stakeholders basing a large part of their decision to engage with a company on that organisation's ESG performance, your ESG programme can deliver an exploitable edge over competitors.

*The UK Government has expressed the aim of bringing all UK businesses into GHG reporting scope by **2025***

Purpose with profit

ESG – why should your organisations do it?
(environmental, social and governance)

Impact investment

Impact Investment is driven by investors seeking not just a financial return but also a positive contribution to strong ESG credentials.

If you are not pursuing an ESG agenda that's a lost investment opportunity.

Attracting and retaining staff

Increasing numbers of employees are selecting the companies they choose to work for with a firm eye on a company's environmental, social and governance performance.

Can you afford to miss out on the recruitment and retention advantages that a robust approach to ESG can bring?

Marketing and PR

A strong ESG commitment will provide your company with the substance for powerful marketing, PR and communications activity.

Can you afford to miss out on the hottest topic of all? Especially when your competitors may be making the most of it in their marketing activities.

Leading the way

In increasingly complex and crowded markets, cut-through can be hard to achieve. Businesses with strong ESG commitments can often raise their voice above the rest by leading not following.

The best you can be

Your company's commitment to ESG is a clear indication of its attitude towards its clients, its customers, its stakeholders and its staff.

You want your company to be seen in the best light. A lack of ESG commitment can achieve the reverse effect.

Your scope 1 and 2 is your stakeholders' scope 3

'Doing nothing is doing damage'

And you will be making a positive environmental and societal impact too

ESG Services

Create an integrated external engagement framework

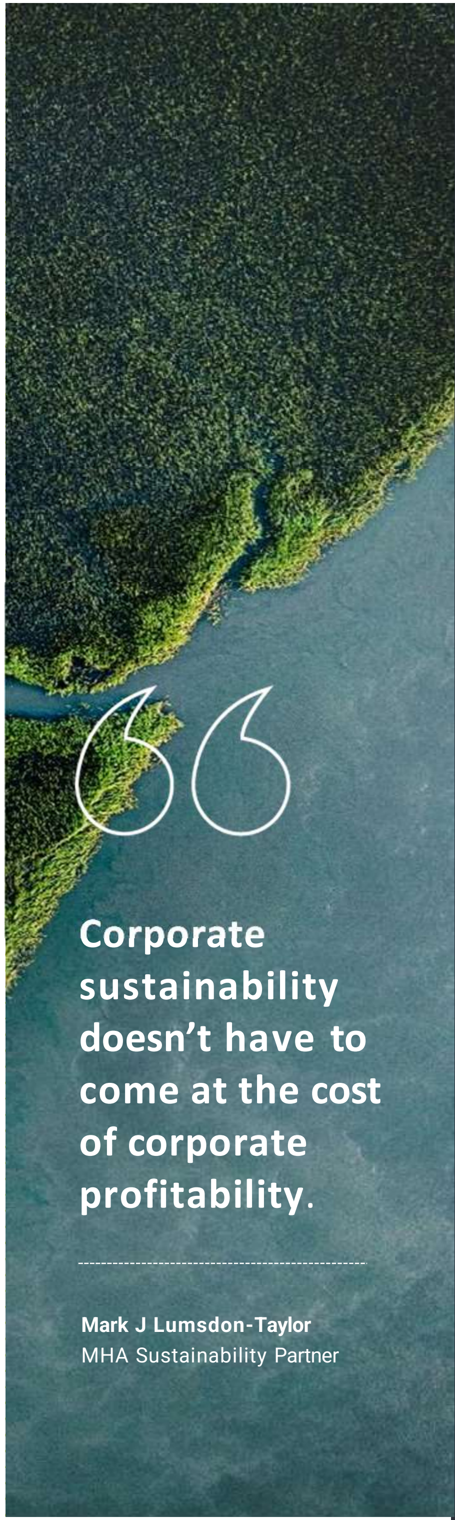
Evaluate performance and create ESG plan

Implement engagement framework. An ESG plan with effective ROI and communication frameworks

We believe that an ESG commitment should deliver significant return on investment.

Whether that return comes through energy payment savings in the form of climate change agreements, efficiencies or grants, bursaries and beneficial funding, we know that every business can make sustainability pay.

Purpose with Profit



Advisory services

MHA Dynamic ESG - a holistic ESG framework for beginners to seasoned practitioners:

- ESG and Net Zero framework: Create, Evaluate, Implement
- Greenhouse gas emissions reporting; supporting data collation with the journey to Net Zero and associated reporting needs
- Streamlined Energy and Carbon Reporting (SECR) advice and training
- Advice on the UK Energy Trading Scheme, Energy Savings and Opportunities Scheme (ESOS), Carbon Code, sustainability frameworks such as GRI
- Specific scheme support: climate change agreements, UKTI grants
- Green finance and financial opportunities for capital investment
- Specialist ESG taxation advice and guidance
- Bespoke marketing and communications frameworks
- Risk management (climate and ESG risks)

Assurance and compliance services to support business regulatory compliance

- Climate reporting and disclosures under the Companies Act (CFD) and Taskforce for Climate-related Financial Disclosure recommendations
- External audit of climate risk in the financial statements and sustainability disclosures
- ESG internal audit services
- CSRD / ESRS and ISSB assurance and compliance
- ISAE (UK) 3000 / ISSA 5000 independent assurance over sustainability information bespoke alignment to Fit for 55 European regulations and associated compliance

Q&A

Our Speakers

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mark.lumsdon-taylor@mha.co.uk

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tim.dee-mccullough@mha.co.uk

Thank you for listening and taking part.

If you have further questions, please contact Mark J Lumsdon-Taylor, Rachael Dagger or any member of the ESG Advisory Team at MHA

mha.co.uk

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Now, for tomorrow

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