

## DPS FRAMEWORK SCHEDULE 4: LETTER OF APPOINTMENT AND CONTRACT TERMS

### Part 1: Letter of Appointment

To whom it may concern,

#### Letter of Appointment

This letter of Appointment dated Friday 5<sup>th</sup> February 2021, is issued in accordance with the provisions of the DPS Agreement (RM6018) between CCS and the Supplier.

Capitalised terms and expressions used in this letter have the same meanings as in the Contract Terms unless the context otherwise requires.

Order Number:	CR20149 - An assessment of climate-related reporting by large UK private companies
From:	<b>Department for Business, Energy &amp; Industrial Strategy (BEIS)</b> of 1 Victoria Street, Westminster, London SW1E 5ND ("Customer")
To:	<b>AECOM Limited</b> , of Aldgate Tower, 2 Leman Street, London E1 8FA ("Supplier")

Effective Date:	Friday 5 <sup>th</sup> February 2021
Expiry Date:	Wednesday 31 <sup>st</sup> March 2021

Services required:	Set out in Section 2, Part B (Specification) of the DPS Agreement and refined by: the Customer's Project Specification attached at Annex A and the Supplier's Proposal attached at Annex B;
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Key Individuals:	<div style="background-color: black; height: 15px; width: 100%;"></div> <div style="background-color: black; height: 15px; width: 100%;"></div> <div style="background-color: black; height: 15px; width: 100%;"></div> <div style="background-color: black; height: 15px; width: 100%;"></div> <div style="background-color: black; height: 15px; width: 100%;"></div> <div style="background-color: black; height: 15px; width: 100%;"></div>
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Contract Charges (including any applicable discount(s), but excluding VAT):	The Customer shall pay the Supplier the sum of £65,312.38 excluding VAT for delivery of these Services. For the avoidance of doubt, the Contract Charges shall be inclusive of all third-party costs.
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Insurance Requirements	<b>Insurance</b> (Clause 19 of the Contract Terms)
Liability Requirements	<b>Suppliers limitation of Liability</b> (Clause 18.2 of the Contract Terms);
Customer billing address for invoicing:	All invoices should be sent to should be sent to ap@uksbs.co.uk or Billingham (UKSBS, Queensway House, West Precinct, Billingham, TS23 2NF)

GDPR	Please see Contract Terms Schedule 7 (Processing, Personal Data and Data Subjects).
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#### FORMATION OF CONTRACT

**BY SIGNING AND RETURNING THIS LETTER OF APPOINTMENT** (which may be done by electronic means) the Supplier agrees to enter a Contract with the Customer to provide the Services in accordance with the terms of this letter and the Contract Terms.

The Parties hereby acknowledge and agree that they have read this letter and the Contract Terms.

The Parties hereby acknowledge and agree that this Contract shall be formed when the Customer acknowledges (which may be done by electronic means) the receipt of the signed copy of this letter from the Supplier within two (2) Working Days from such receipt

**For and on behalf of the Supplier:**

**For and on behalf of the Customer:**

Name and Title:

[Redacted]

Name and Title:

[Redacted]

Signature:

[Redacted Signature]

Signature:

[Redacted Signature]

Date:

22/02/2021

Date:

22/02/2021

## ANNEX A

### Customer Project Specification

#### 1. Background

**Context:**

In the 2019 Green Finance Strategy, the UK Government set out an expectation that all listed companies and large asset owners should disclose in line with the Taskforce for Climate-Related Financial Disclosures (TCFD) by 2022. The TCFD recommendations provide a framework for companies to provide investors with the information needed to understand their exposure to transition and physical climate risk, and the strategy of companies to mitigate these risks.

In November 2020, the UK joint TCFD Taskforce of government departments and regulators published an Interim Report and Roadmap outlining how mandatory TCFD disclosures will be achieved across the UK economy by 2025, with mandatory reporting beginning for many companies in 2023. As part of the report, BEIS outlined plans to mandate TCFD reporting for large UK registered companies that are not listed (unlisted private companies). Given that private companies generally have a lower reporting burden than listed companies, it is likely that there is significantly less climate-related reporting by unlisted private companies at present. There are therefore key evidence gaps that need to be addressed in order to inform the development of disclosure requirements for this sector of the economy.

Improving the quality and quantity of climate-related risk disclosures is a key priority for both the UK Governments Ten Point Plan for a Green Industrial Revolution and the UK government's COP26 Private Finance Agenda. Furthermore, given the importance of private firms more broadly in the UK economy, this work is also relevant to the UK governments efforts to transition the economy to Net Zero carbon emissions by 2050 and the resilience of the economy to climate risks.

**Research Collaboration:**

This project will be led by the BEIS Green Finance team within the BEIS Clean Growth Directorate. The BEIS Clean Growth Directorate Coordinates Government action to meet the UK's emission reductions targets and accelerate the transition to cleaner economic growth. The Green Finance team is responsible for overseeing delivery of the Government's Green Finance Strategy (2019) and coordinates green finance policy across Government alongside HM Treasury.

BEIS will coordinate engagement with other Government teams as required, including both engagement with teams within BEIS and with other Government Departments such as HM Treasury.

**Research Drivers:**

The project will primarily seek to develop a clear evidence base that assesses the extent to which large private UK firms disclosure climate-risk in accordance with the TCFD recommendations, and the challenges and barriers they may face in making such disclosures.

**Research Outputs:**

The outputs of this research will enable a greater understanding of how well-placed large UK private companies are to make TCFD disclosures. Findings from the research have the potential to inform policymaking and provide a benchmark against which improvements in climate-risk reporting can be measured going forward.

## **2. Aims and Objectives of the Project**

### **Overview**

The aim and objective of this project is to understand the current quantity and quality of climate-related risk disclosures provided by large private firms in the UK. It also seeks to provide examples of best practice; and the barriers faced by UK private firms in providing high quality climate-related risk disclosures. This will help to ensure that policy interventions can be designed to increase the quantity and quality of climate-related risk disclosures in a proportionate manner.

It is important for BEIS to understand the extent to which private firms already provide climate-related risk disclosures. According to the Companies Act, all large UK firms must disclose in their strategic report principle risks and uncertainties, as well as key performance indicators relating to environmental matters when appropriate. Furthermore, private firms may provide more detailed disclosure of climate-related risks on a voluntary basis.

Understanding the level of current disclosures will help us understand the cost to firms. This is important when gauging the scope of firms that should be required to provide TCFD disclosure. It will also enable measurement of the improvement in climate reporting against a baseline.

### **Research Questions and Structure**

The project will be split into two distinct but linked parts, with two different deliverables. In Part 1, the extent to which UK private firms provide climate-related risk disclosures will be assessed, mapping the existing public disclosures of companies against the 11 TCFD recommendations.

Following on from Part 1, in Part 2 interviews will be conducted to identify the barriers faced by UK private firms. For example, having adequate resources and skills, or concerns about first mover disadvantages in making disclosures before their competitors. The analysis is needed to gauge the wider costs to the UK economy, and to understand how the UK government may need to support firms. Both parts will aim to assess a heterogeneous sample, with firms of different sizes and in different sectors that is representative of the private companies in scope of TCFD reporting requirements.

#### **Part 1 Research Questions (50%):**

1. What proportion of large UK private firms provide quality climate-related risk disclosures, as defined by the TCFD framework?
2. How does this change dependant on companies' characteristics? For example, sector and firm size?

#### **Part 2 Research Questions (50%):**

3. What are the barriers and costs to UK private business providing climate-related risk disclosures?

4. How does this change dependant on companies' characteristics? For example, sector and firm size?

## 5. Suggested Methodology

### Part 1:

1. Identify the largest UK private firms. BEIS can provide a list of relevant companies from which a sample will be drawn. As set out in the TCFD roadmap published in November 2020, BEIS anticipates up to 50% of large private companies (by turnover) will be covered by forthcoming regulations.
2. Develop a stratified sample from this list, representative of the size and sector split of the underlying population. This sample should consist of at least 150 companies. The sectors should be defined by a common industry standard, such as the Global Industry Classification Standard (GICS).
3. Develop a list of questions or criteria that cover the 11 TCFD recommendations (shown below), as well as whether the company has become an official "supporter" of TCFD. These questions should be numerically scored or binary. The questions developed should have a clear methodology so that scoring is consistent across companies assessed. Questions should be weighted in accordance with the importance of different questions regarding the key aspects of the TCFD recommendations. These questions should be structured so that they can be reused to assess how the quality of disclosure changes over time.
4. Using publicly available information, score the selected companies against the list of questions. Sources of data include annual reports, sustainability reports, websites, CDP reports, and publicly available bond prospectuses. Where possible, group level reports should be used, as long as the group level entity is a UK company. The data generated by scoring companies against these questions should form part of the project deliverable and be supplied to BEIS in a common format (Excel).
5. Generate key summary statistics:
  - a. By sector
  - b. By company size
  - c. By TCFD recommendation

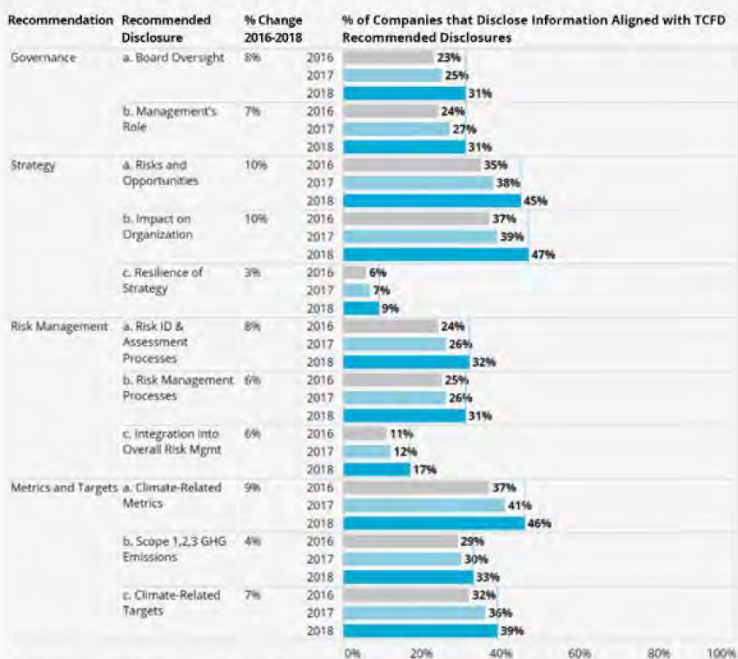
An example of appropriate summary metrics is shown below, taken from the TCFD 2019 Status report. This should include the proportion of firms that provide disclosures covering each of the 11 TCFD recommendations. This should be done at the aggregate level, and then broken down by company size and sector.



Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning <a href="#">where such information is material</a> .	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities <a href="#">where such information is material</a> .
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) <a href="#">Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</a>	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Figure 5

### TCFD-Aligned Disclosures by Year



Legend: Percentage of companies that disclosed information aligned with TCFD recommended disclosures in 2018

#### Figure 1 Disclosure by Company Size: 2018 Reporting



#### Part 2:

1. There should be a target of 40 interviews to be carried out. This is to allow for at least five interviews in each of the eight sub sectors. Out of the GICS sectors we have identified eight groups: financials, IT & telecoms, consumer staples, consumer durables, healthcare, industrials & materials, real estate, and energy & utilities. By carrying out 5 interviews within each group, we will be able to represent the differences sizes of firms within the wider population, which we see split relatively evenly between those with a turnover of £0-250m, £250-500m, £500-1000m, and £1000m+. To keep this representation of the underlying population, should a company drop out of the interview process, they should be replaced by a company with a similar profile.
2. These interviews should seek to determine the structural barriers UK private companies have faced when providing climate-related risk disclosures. These barriers could include a lack of internal resources or expertise, a desire to keep information private due to concerns about competitive disadvantages, or costs associated with disclosure. In particular, we are interested in barriers more likely to be faced by private rather than listed companies.
3. These interviews should also seek to understand any benefits that have occurred through the process of providing TCFD or other climate-related risk disclosure. For example, has it improved the engagement of senior executives with climate-related issues or acted as a catalyst for internal change?
4. To carry out these interviews, a set of questions should be developed that will be asked to each company. These questions should be checked with BEIS prior to use. This will be project deliverable. The questions can be both qualitative and quantitative in nature. For example, questions about the costs of disclosure would require data points for amount spent, and the amount of resource allocated in staff numbers and hours. The list of companies that will be interviewed should also be

checked with BEIS. This will ensure that firms are not interviewed multiple times across similar research proposals.

5. The findings from these interviews will be summarised in a research report for BEIS, drawing out key themes along each of the major research questions posed in Part 2.

#### **6. Deliverables**

1. Part 1:
  - Interim report: this should include a summary of the findings from part 1 in relation to the key research questions.
  - Database: the underlying data used in Part 1 should be delivered in a useable spreadsheet.
2. Part 2:
  - Final Report: this should include findings from Part 2, with potential policy recommendations. It should also build on and incorporate findings from Part 1.



**ANNEX B**

**Supplier Proposal**

Redacted

## Part 2: Contract Terms



RM6018 – Contract Terms v6.0.pdf