



# Reporting criteria – ESG metrics for Annual Report and stakeholders

Policy owner	Finance
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# Introduction

- This document covers the methodology applied to calculate certain ESG metrics disclosed in Channel 4's Annual Report (AR), as well as how these metrics interlink with reporting and Sustainability Performance Targets (SPTs) for Channel 4's Revolving Credit Facility (RCF)
- In its AR, Channel 4 sets out 3 sustainability-related key performance indicators (KPIs) which are relevant for the purposes of these reporting criteria
  1. ARKPI 1: Scope 1 GHG emissions
  2. Scope 2 GHG emissions
    - ARKPI 2a: Scope 2 GHG emissions (location-based)
    - ARKPI 2b: Scope 2 GHG emissions (market-based)
  3. ARKPI 3: % of productions certified with a completed albert Carbon Action Plan
- Channel 4 seeks to obtain a public limited assurance opinion over these KPIs, to fulfil best practice requirements in its sustainability reporting (e.g. submissions to the Carbon Disclosure Project)
- In tandem with this, Channel 4 has certain ESG reporting obligations to its RCF lending partners, to monitor performance vs a set of SPTs established in the facility agreement (targeting emissions reductions versus our 2019 data). Based on KPI performance versus these targets, a pricing discount/premium will be applied based on the number of KPIs met
- The KPIs for this reporting to lenders are:
  1. RCFKPI 1: Absolute reduction in Scope 1 & 2 emissions
    - This is calculated as the total of ARKPI1 and ARKPI 2a above
  - RCFKPI 2: % of productions certified with a completed Carbon Action Plan
    - This maps directly to ARKPI3 above
  - RCFKPI 3: --% of women in the top 100 earners across the business
    - This information is reported separately for the AR and is subject to a separate assurance opinion

- Per the terms of the RCF agreement, performance on these KPIs will be verified annually on a “limited assurance” basis by an independent ESG auditor
  - KPMG will provide limited assurance in a public opinion over ARKPIs 1, 2a, 2b, and 3 – Channel 4’s lenders may access this public report
  - Spktrl provides existing assurance over KPI 3 as part of Channel 4’s existing Pay Reporting.
  - Channel 4 will then produce final reporting to the lenders to accompany the assurance opinion, demonstrating how the assured KPIs map to the RCFKPIs and how performance compares to agreed annual SPTs
- The reporting period for RCFKPIs 1 and 2 is the financial year 01/01/2023 to 31/12/2023, which was selected because it is the company’s financial year (and therefore its disclosures in the AR). The reporting period for RCFKPI 3 is 01/04/2022 to 31/03/2023 in line with Channel 4’s pay gap reporting period
- This document intends to cover the reporting criteria of ARKPIs 1, 2a, 2b, and 3 (and therefore by extension of RCFKPI 1 and 2)
  - Methodology for RCFKPI 3 methodology is attached for reference in the following link: [https://assets-corporate.channel4.com/\\_flysystem/s3/2023-11/Channel%20Pay%20Report%202023\\_FINAL\\_0.pdf](https://assets-corporate.channel4.com/_flysystem/s3/2023-11/Channel%20Pay%20Report%202023_FINAL_0.pdf)

# ARKPI 1, 2a and 2b - Scope 1 & Scope 2 (location-/ market-based) emissions

## Context

- Channel 4 has a longstanding commitment to net zero, introduced as part of its sustainability roadmap in September 2023.
- Following an ambitious exercise to improve the depth and quality of our carbon data, establish baseline emissions, and ensure meaningful GHG reporting going forward, during 2023 we reached a key milestone by setting and publishing new near-term (to 2030) and net zero (to 2050) emissions targets verified by the Science Based Targets initiative (SBTi).
- Channel 4 is committed to:
  - **Near-term targets – by 2030**
    - Reducing our absolute Scope 1 and 2 greenhouse gas ('GHG') emissions by 42%
    - Reducing our absolute Scope 3 emissions by 25%
  - **Long-term targets – by 2050**
    - Reducing absolute Scope 1, 2 and 3 emissions by 90%, with remaining emissions neutralised by credible carbon offsets
- Channel 4's climate ambition has been validated by SBTi as aligning with a 1.5 degree global climate change trajectory; targets bring our ambitions into line with best practice to drive future delivery
- Now that these targets are established, we will seek to set meaningful phased annual targets to ensure we remain on the right trajectory towards these commitments. Where interim targets have been set while this work has been ongoing for specific purposes (e.g. pricing of our RCF), we will seek to align to these new annual targets once finalised.
- We have already transitioned our electricity contracts to renewable energy providers with 100% of our electricity now being sourced through renewable contracts. Under a market-based emissions methodology this has allowed us to reduce our Scope 2 emissions to zero, and we will continue to focus on procuring renewable electricity to deliver on our plan. Ensuring we meet our emissions reduction targets on our offices is a central consideration in defining our future workspace needs and financial planning for key capital improvements, to ensure we meet our emissions reductions targets

## Methodology

- Channel 4 Television Corporation are a 'large unquoted company' under the Streamlined Energy and Carbon Reporting (SECR) regulations so must report annually on greenhouse gas emissions from Scope 1 and 2 Electricity, Gas and Transport
- The 2023 SECR has been prepared in accordance with Channel 4's regulatory obligation to report greenhouse gas (GHG) emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the government's policy on Streamlined Energy and Carbon Reporting. The reporting period is the most recent financial year 01/01/2023 to 31/12/2023. Channel 4 partners with Accenture, a third-party supplier, to produce its GHG emissions reporting including its annual SECR reporting
- We quantify and report our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised version) and in alignment with the Scope 2 Guidance
- We consolidate our organisational boundary according to the financial control approach. All measured emissions from activities which the organisation has financial control over are included unless otherwise stated in the exclusions statement, as required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Emissions determined to be under Channel Four's financial control are
  - all entities where the Channel Four Group has a >50% holding i.e. includes subsidiaries but excludes associates and JVs, and
  - all leased properties where the group is deemed to control the asset under the terms of the agreement (e.g. treated as a right of use asset on the balance sheet under IFRS 16)
- The relevant GHG sources that constituted our operational boundary for the year are:
  - Scope 1:
    - Natural Gas - *heating*
    - Propane - *outdoor cooking facilities*
    - Diesel - *backup generators*
    - Refrigerants - *air conditioning - none used in 2023*
  - Scope 2: Electricity
- In some cases, where data is missing, values have been estimated using either extrapolation of available data or data from the previous year(s) as a proxy. We have also applied estimates to apportion emissions data where Channel 4 occupies part of a larger building and consumption is recorded for the building as a whole.
- The Scope 2 Guidance requires that we quantify and report Scope 2 emissions according to two different methodologies ("dual reporting"): (i) the location-based method, using average emissions factors for the country in which the reported operations take place; and (ii) the market-based method, which uses the actual emissions factors of the energy procured
- The carbon emissions for Scope 1&2 have been calculated using the Department for Energy Security and Net Zero ('DESNZ'; formerly BEIS) 2023 carbon conversion factors

for all fuels and electricity, other than market-based electricity which have been taken from EDF, Ecotricity and Opus Energy

- The intensity measurement of turnover has been selected to compare emissions with company growth and for consistency with similarly reporting businesses for review of the market position
- Note: The 2021 and 2022 figures presented as comparatives in the 2023 Annual Report have been restated versus previous reporting, with the drivers for these restatements detailed in the Annual Report. These restatements were made in order to provide a consistent baseline for reporting going forward, and as such no thresholds etc were applied in determining where restatements were required. For future years' reporting, Channel 4 will consider and apply a percentage threshold (expected to be 5%) in reviewing prior period errors and omissions to determine if a restatement of previous information is required):

The specific methodology applied to each KPI is as follows:

<b>SCOPE AND CATEGORY</b>	<b>METHODOLOGY</b>
<b>ARKPI 1:</b> Scope 1 Stationary Fuels	Channel 4 provided fuel data to Accenture for all relevant sites in order to calculate its GHG emissions, with consumption covering the entire reporting period. Data was obtained from landlords by Channel 4 where relevant. Fuel consumption was multiplied by relevant DESNZ 2023 emission factors. We have also applied estimates to apportion emissions data based on floor area where Channel 4 occupies part of a larger building and consumption is recorded for the building as a whole.
<b>ARKPI 2a:</b> Scope 2 Electricity (location-based)	Scope 2 emissions result from purchased electricity. This data is collected via electricity consumption invoices and on site meters. Channel 4 provided consumption data for 2023 for all offices. Data was obtained from landlords by Channel 4 where relevant. Location-based emissions were calculated using 2023 DESNZ emission factors. Estimates were calculated for the 2023 full year for one meter at London Horseferry Road using 2019 consumption due to a fault identified, and September-December 2023 consumption was used to estimate full year figures at Leeds due to faulty meters. Additional consumption from Bristol and Manchester was included to capture consumption from the HVAC systems that

are used within the Channel 4 offices and which are landlord managed.

**ARKPI 2b:**  
Scope 2  
Electricity  
(market-based)

Consumption data was provided in line with the process for location-based emissions above, with the same estimates applied, but with market-based 2023 DESNZ emissions factors applied to reflect procurement of renewable energy.

Renewable energy certificates were provided for all offices covered by a renewable supply to calculate market-based emissions.

All sites were covered by renewable energy certificates in 2023 reporting.

### **Framework applied for SPTs with lenders**

- As noted above, new science-based GHG reduction targets (accredited by the SBTi) were approved during 2023. Given that work to set these targets was ongoing at the point Channel 4 renewed its RCF arrangements (entering into an ESG-linked facility for the first time), specific Scope 1 and 2 targets were set for this purpose in the interim, alongside targets for the other RCFKPIs outlined above
- These were based on Scope 1 and Scope 2 (location-based) absolute emission reductions vs adjusted 2019 data. 2019 was chosen to reflect a Business As Usual state not impacted by Covid which closed our office spaces for most of 2020 and 2021.
- Scope 1 and 2 now covers Natural Gas, Propane, Diesel, Refrigerants (of which none in 2023) and Electricity. When Channel 4 prepared its SPTs versus 2019 data, the only relevant Scope 1 emission type at the time was natural gas. Channel 4's offices also have potential sources of Scope 1 emissions from refrigerants, diesel, and propane, but these categories and unknown vehicle fuel were not captured in the 2019 emissions calculation at the time.
- In setting SPTs, a carbon emission adjustment was applied to 2019 data to reflect properties added to Channel 4's office portfolio over the following 24 months – in Leeds, Bristol and Glasgow. The adjustment is calculated based on the net square feet of office space added to Channel 4's portfolio from these property being compared against previous emissions from Horseferry Road, London, and Manchester.
- The calculation is as follows: (2022: 151,719 sq ft) / (2019: 118,264 sq ft) = +30% additional office space. The addition of Bristol, Glasgow and Leeds is 33,455sq ft.



# ARKPI 3 - % Productions certified under the albert certification

## Context

- The objectives of 'albert' is to empower the film and television industries to create content that supports a vision for a sustainable future by actively eliminating waste and carbon emissions from production. The 'albert' certification adopted by the BAFTA group can only be awarded by the 'albert' group.
- As a member of the BAFTA 'albert' consortium, Channel 4 requires all productions (i.e. any commissioned title, which may include standalone content, series, or feature film) to use the 'albert' calculator and, as of March 2022, expects all production companies to obtain 'albert' certification.
- The 'albert' Toolkit consists of a carbon calculator to measure carbon footprint and a Carbon Action Plan to allow steps to be taken to reduce their footprint.
- The successfully submitted Carbon Action Plan is then examined by 'albert' with a successful review allowing for a production to achieve 'albert' certification and the ability to display the 'albert' logo on the end board.
- The metric reflects our commitment to work with suppliers on tackling their emissions and represents a proxy measure on how we manage our scope 3 emissions.

## Background

- The 'albert' certification can only be obtained on commissioned productions and therefore the measure will be on production titles broadcast in the full year when it can be confirmed the production has obtained certification.
- We mandated the use of the 'albert' carbon calculator on all productions, as part of an incentive to encourage production to become 'albert' certified, Channel 4 release the last 5% of production payables post certification completion. Given the time to process final paperwork following the end of a production, there is often a lag between delivery of a production and 'albert' certification being finalised. Owing to time constraints for reporting, this means that the % productions certified is likely to increase further following the cut-off date when reporting is run for assurance reviews (see 'Reporting')
- Prompted by the receipt of the invoice payable for the remaining 5% from the production company, the invoice assistance team within Channel Four will verify on the 'albert' website that the production company have met their 'albert' certification using their own log in credentials to access the albert system for the production in question.
- Successful completion is logged into our Content management system (Pirate) which directly feeds into our Business Objects reporting system within SAP.
- Reporting on 'albert certificate achievement by TX (transmitted) date' a list of production companies working with Channel 4, E4 and More4 who have all received 'albert' certification is reported resulting in Channel Four's '%achieved (certification)' figure.
  - ***'%achieved (certification) = Albert achieved (certification)/No. of productions broadcast in year***

## Reporting

- The achievement of Albert certification by productions is an ongoing process. To be able to report on our FY23 Albert certification achievements, we must decide on a date in which the report is to be run for testing/KPI assurance.
- The report was run on 21<sup>st</sup> March 2024 and therefore includes as albert certified any productions broadcast for the first time on linear (Channel 4, E4 and More 4) during 2023 which had achieved full Albert certification (recorded on our internal Pirate system) by this date.

## Methodology

- The methodology applied is detailed in Appendix 1: Methodology paper - albert carbon calculator - November 2023. It can be accessed via the following link: <https://wearealbert.org/wp-content/uploads/2024/01/albert-Carbon-Calculator-Methodology-paper-2023.pdf>
- In summary, the Carbon Action Plan is conducted by the production company and then confirmed by 'albert', the screen industry authority on environmental sustainability.
- The albert calculator is available for use across the globe and as such contains emission factors from a variety of sources. For example, any measurement in the UK will be calculated using the DESNZ data, for other countries the calculator uses the most reliable and accurate sources available. The calculator has a database of 309 electricity emission factors for different countries and states.
- The emission factors, benchmarks and activities recorded will be subject to an annual audit and review internally in consultation with the albert Directorate and Consortium, as well as third parties where appropriate. This is to ensure that the calculator continues to follow the most accurate and up to date global guidelines on emissions reporting and can continue to serve the screen industry.

## Exclusions/Adjustments

- 'albert' does not look to certify any production where the aggregated duration of the programme or entire series is a less than 15 minutes
- 'albert' does not look to certify any production where the budget for the entire project (all episodes) is less than £50,000
- Any acquired content which has not been commissioned by C4
- Any content in which the season transmits over two calendar years with the first episode being in the prior year
- Productions broadcast for the first time on digital in 2023 but their first transmission on linear falls in another year
- Any content reruns