North Sea
Transition
Authority

ESG Disclosure

2023 observations

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Contents

Executive Summary 3

Introduction 5

Special feature 1 7

NSTA assessment observations 8

Special feature 2 11

2023 Deep Dive themes 14

Special feature 3 16

Conclusion 21

Appendix 1: full list of themes of the assessment framework 23

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Executive Summary

In this second edition of the NSTA's ESG Disclosure Report, we provide further observations on progress in improving ESG disclosure of oil and gas businesses operating on the UKCS and highlight areas requiring further focus.

Significant ongoing regulatory change should assist the sector in the standardisation of their ESG reports.

In recent years, there has been a noticeable shift in the ESG regulatory reporting landscape with a number of new requirements launched. The new International Sustainability Standards Board ("**ISSB**") standards, which incorporate the existing recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**"), aim to converge a fragmented reporting landscape and set a new global baseline for ESG reports. This is bolstered by the EU Corporate Sustainability Reporting Directive ("**CSRD**"), which requires disclosure of the impact of sustainability issues on a business and the effect operational activity has on people and planet. These changes, alongside an increased use of common reporting frameworks, have led to improvements in the structure and content of many ESG reports.

Robust sustainability governance supported by ESG KPIs in executive remuneration can be a foundation for meaningful ESG related activity.

A strong sustainability governance regime that is embedded throughout an organisation is critical to improved ESG reporting. Governance policies and individually assigned ESG responsibilities, supported by cross-organisational communication and collaboration, can deliver a robust ESG dataset and higher-quality reporting. Variable remuneration linked to ESG KPIs can further support milestone delivery and are now used by more than half of licensees.

Overall there is improvement in the majority of licensee disclosure.

This year we found licensee disclosure has improved with 52% of licensees having an overall score above 50%. The environmental element continues to see the best disclosure, unsurprising given the concerns around climate change and environmental issues, and the ever-increasing societal pressure. The G of ESG continues to attract rigorous investor scrutiny and therefore also remains a strong element in licensee disclosure, however the S element is the weakest area of disclosure across the sector.

Improvements in disclosure relating to biodiversity, data centres, external assurance, and socio-economic reporting, whilst supply chain disclosure is by far the weakest area.

New initiatives such as the Taskforce for Nature-related Financial Disclosure ("**TNFD**"), CSRD and increased investor expectations support disclosure in areas such as natural capital, assurance and external verification, and socio-economic reporting. However, it is disappointing that the supply chain, a key component of the social part of ESG, is the weakest area, with almost 60% of licensees' disclosure having significant room for improvement.

We will continue to support the sector in their ESG efforts and monitor progress.

The NSTA remains committed to working with industry to encourage improvement, and share best practice as licensees continue on their ESG journey. We will assist through the NSTA's ESG Taskforce, hosting ESG Roundtables, and by our ESG stewardship programme. We will continue to impress upon industry the fact that quality ESG disclosure remains a key component of a lender's investment decision and the sector's social licence to operate.

Introduction

Robust and consistent ESG reporting is essential to both attracting and maintaining investment into the oil and gas industry on the UK Continental Shelf ("**UKCS**") and in retaining a social licence to operate. ESG considerations are a key component of an investment decision and the ability to disclose and report effectively is therefore critical to the industry's future. "No ESG disclosure: No access to finance"[1] remains as important a principle as ever.

The ESG reporting landscape is in a period of transition and faces significant regulatory changes. Confusing terminology, definitions and labels have proved challenging, but inconsistency and an "alphabet soup of acronyms" may soon give way to an improved clarity around language, goals, and requirements due to the new Corporate Sustainability Reporting Directive ("**CSRD**") and standards issued by the International Sustainability Standards Board ("**ISSB**").

Since the OGA Strategy was revised in 2021, the NSTA has taken steps to support industry with its ESG reporting obligations and in the development of good practice. These have included:

- Creation of the NSTA ESG Taskforce to monitor the evolution of key ESG requirements, and to encourage a standardised approach to ESG reporting.
- Publication of the ESG Disclosure Report to highlight emerging trends, themes and areas of challenge.
- Roll out of a successful and influential ESG Roundtable programme with industry and other ESG thought leaders, to drive the dialogue and feed insights and intelligence into the ESG Taskforce and, subsequently, with the wider industry.
- Dedicated ESG stewardship with individual licensees in both Aberdeen and London.
- An open letter to industry highlighting the importance of robust and consistent ESG data disclosure.
- An open letter to Joint Venture ("**JV**") partners highlighting the importance of collaboration and transparency in ESG data across the JV.

The NSTA will continue to encourage and support licensees to report in a manner that drives trust and delivers action, authenticity, and robust evidence.

New NSTA ESG Assessment Framework for 2023

This year's ESG Disclosure Report has once again assessed the disclosure undertaken by a significant proportion of the major oil and gas businesses operating on the UKCS. However, recognising the rapidly evolving regulatory landscape and the associated steps that industry has taken to improve disclosure, this year the NSTA took the decision to amend its process for assessing ESG disclosure within its ESG Disclosure Report. This has enabled us to look more closely at the depth and quality of the disclosure being presented and make better comparisons between corporate entities. This year we have also included three Special Feature sections to discuss certain aspects of the ESG landscape in more detail. These relate to regulatory change, sustainability governance, and the supply chain.

[1] Quoted during the NSTA's ESG engagement with relevant stakeholders.

This year's ESG assessment framework is based upon 60 metrics across E, S and G, which are mapped to the United Nations Sustainable Development Goals. These metrics are split into 10 themes covering topics such as supply chain, data, emissions and corporate governance. For many themes, relevant metrics relate only to either the E, S or G factor. However, others cut across E, S and/or G. In order to achieve a score in a particular area a licensee was required to have made a statement relevant to that metric – even if this was to confirm that there was nothing to report. The NSTA considers that scoring in this manner is appropriate since these 'nothing to declare' statements in themselves provide certainty and clarity to the user.

Companies have been scored as either having no disclosure, average disclosure or enhanced disclosure. As a result, an equal score between two companies doesn't necessarily equate to similar levels of disclosure across all areas: one company may have disclosed across a smaller number of areas but provided an enhanced level of disclosure in these areas rather than an average quality of disclosure across a broader number of topics. The final overall score is a weighted score: the E metrics score weight is 40%, S metrics 27% and G metrics 33%. The weightings attributed reflect existing practice amongst many sustainability organisations such as the ESG ratings agencies. Given that many licensees' disclosure efforts are more focused on environmental and governance reporting than social, the abovementioned score weighting will for many, have a positive effect on an overall individual licensee score.

For benchmarking comparison purposes, we have assigned licensees to five peer groups based upon their size, organisational structure, and maturity of their ESG efforts.

Peer group	Description
Peer Group 1	**Majors**
Peer Group 2	**UK Headquartered Large Independents (Group Revenue>£1.5bn)**
Peer Group 3	**UK subsidiaries of overseas parent**
Peer Group 4	**NOCs and Family-Owned Independents**
Peer Group 5	**UK Headquartered Smaller Independents (Group Revenue<£1.5bn)**

The assessment of each entities' disclosure is based upon publicly available information and on the NSTA's view and interpretation of the quality of that disclosure.

Special feature 1

Regulatory changes

There is a significant increase in upcoming ESG related regulatory requirements, most notably following the new ISSB disclosure standards in mid-2023. The UK is expected to launch its own ISSB-aligned disclosure standards and it is likely that these will build on existing disclosure regulations based on the recommendations by the Task Force on Climate-related Financial Disclosures ("**TCFD**").

The new ISSB standards are expected to be of benefit to the users of ESG data as they will provide additional insights into the performance of companies on various matters, including climate change. They are also expected to provide greater consistency and comparability of disclosures between companies. There is an ambition for ISSB to become the global baseline for sustainability reporting.

Over and above the ISSB standards, further change is on the way, some of which is outlined below:

1. FCA Sustainability Disclosure Requirement and investment labels
   - Anti-greenwashing rules (May 2024)
   - Sustainability Labelling framework (July 2024)
2. Non-financial reporting reform in the UK
   - Disclosure recommendations and guidance of the Taskforce for Nature-related Financial Disclosure ("**TNFD**") that encourage and enable businesses and finance providers to assess, report and act on their nature related dependencies, impacts, risks and opportunities.
3. EU Corporate Sustainability Reporting Directive ("**CSRD**") requirements for companies in scope (estimated at over 50,000 companies including large companies and listed SMEs) which require companies to report on how sustainability issues impact their business and how their operations in turn affect people and the planet.
   - The first companies will have to apply the new rules for the first time in the 2024 financial year, for reports published in 2025.
4. A global trend towards fully integrated reporting based on a two-pillar report.
   - Pillar 1 – Sustainability or Impact reporting (all impacts a company has on society and environment)
   - Pillar 2 – Strengthened financial reporting (addressing the financial implications of sustainability issues)

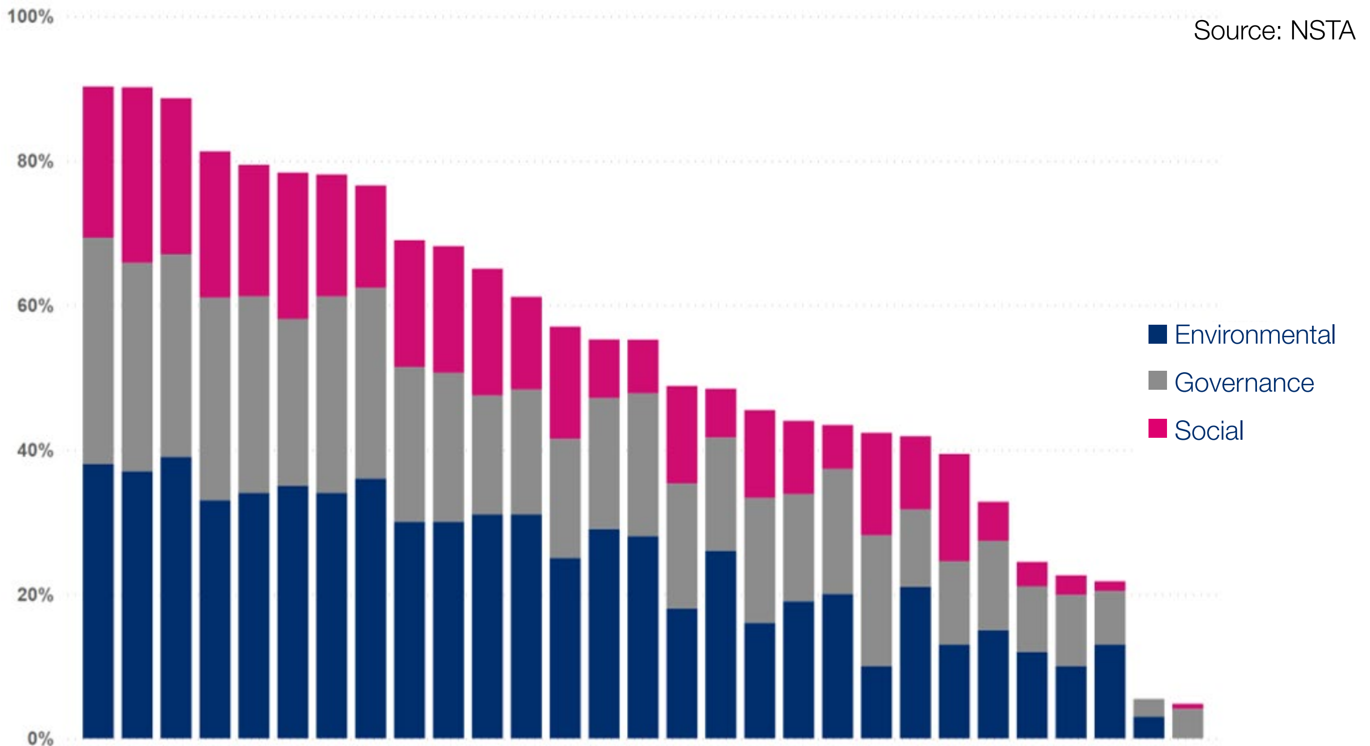
These regulatory changes and a gradual convergence to a common reporting framework should improve the consistency and standardisation of ESG disclosure.

NSTA assessment observations

Overall results

Figure 1 illustrates the full set of scores from our assessment for each licensee that was reviewed, with each score split by E, S and G. As can be seen, there were a wide variety of results this year under the NSTA's new scoring mechanism, which has enabled a more in-depth assessment of corporate disclosure across a wider set of metrics.

Figure 1: ESG overall score by Licensee across E, S and G



Environmental considerations are the bedrock to industry ESG disclosure.

Within the E element, we assessed disclosure by themes such as climate change, environment, and emissions. Of the E factors, climate change disclosure is the most significant differentiator in the quality of disclosure between leaders and laggards. The latter were frequently observed not to have chosen to disclose against frameworks such as TCFD and Carbon Disclosure Project ("**CDP**"). Disclosing against these frameworks is more likely to provide a greater breadth and depth to disclosure.

Within the overall climate change theme, the strongest individual disclosure element related to how companies identify and manage their climate related risks (62% have enhanced disclosure, 10% have average disclosure, and 28% have no disclosure), while the weakest element relates to the impact and opportunities of climate change to their business strategy and financial plans.

Social matters can be viewed as latecomers to ESG reporting, are harder to quantify and hence disclosure lags behind.

Within the S element we assessed disclosure relating to themes such as a licensee's approach to its workforce and its supply chain. Strongest elements within the workforce theme relate to HR data such as diversity and inclusion, health and safety, and training and development. Weaker areas related to disclosure of union representation (55% have no disclosure) and reskilling (for example, 90% have no disclosure in relation to reskilling for the energy transition).

Of the S factors, supply chain disclosure is the weakest theme overall and although metrics relating to forced or compulsory labour and anti-bribery matters tended to be addressed, there was a significant lack of disclosure in other areas, such as payment terms to the supply chain (86% have no disclosure, being the weakest area) which reduced scores significantly.

Unsurprisingly the stronger 'S' areas are largely driven by the fact that they rely on HR-related data, which is readily available, with the collection of this data being a well-established process.

Governance in general has strong disclosure across all themes.

Within the G element, we looked at themes such as socio-economic reporting, business ethics, corporate governance and risk management. With governance and risk management processes well established in corporate reporting, these themes have the strongest areas of disclosure. This included disclosure relating to the Board, ownership structure and stakeholder engagement (86% have enhanced disclosure) being mostly well reported, while matters regarding critical incident risk management are less well reported (38% have no disclosure).

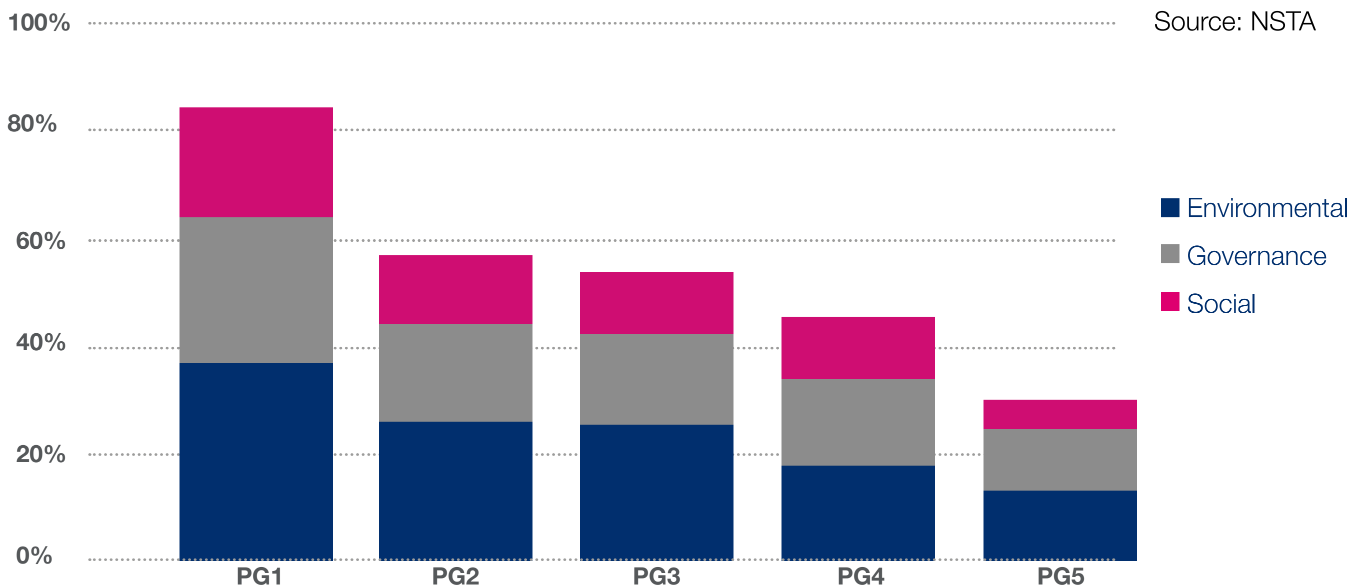
The theme of business ethics is a differentiator between the leaders and the laggards, where transparency over payments to governments, political donations and controversy events are the weakest areas of disclosure for those scoring less well.

Average overall peer groups scores vary significantly.

Figure 2 below shows the results split between peer groups. The entities contained within the best performing peer group benefit from the fact that they already have significant additional global reporting requirements, scrutiny from stakeholders and well-established sustainability governance frameworks, structures and policies which result in a robust set of detailed datasets and disclosure across the E, S and G. For some of the entities in the least performing peer group, weaker disclosure is likely to be driven by constraints in capacity and resource and, for others, by a lack of alignment to a recognised disclosure framework.

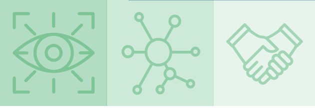
During the course of this year's assessment, we observed that the private companies' disclosure has improved significantly for many, and we are encouraged that our ESG engagement over the course of 2023 with those companies has been effective in supporting licensees in this regard.

Figure 2: Average ESG overall score across Licensees by E, S and G by Peer Group

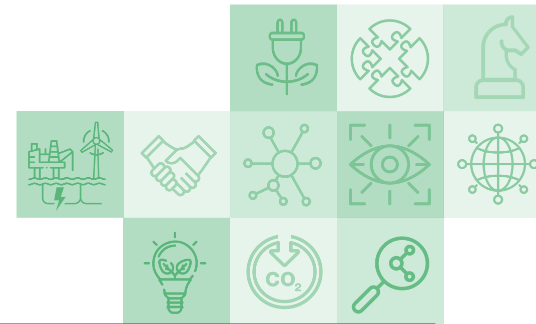


Overall ESG disclosure is improving across industry.

Based on the outcome of our review there is clearly a group of companies that have the scope to significantly strengthen their reporting across all ESG themes and metrics, and the NSTA will continue to provide support as appropriate. However, we are encouraged that during the course of our assessment we observed that the majority of companies are making progress in their ESG disclosures and are on a positive trajectory. The NSTA will continue to support industry in their continued efforts to improve disclosure and will actively monitor progress in this regard.



Special feature 2



Sustainability Governance

Sustainability Governance is a key driver of robust, accurate and consistent disclosure.

Quality disclosure requires a detailed set of data which the NSTA considers is directly related to having strong sustainability governance practices embedded within organisational structures. Sustainability governance includes policies and procedures relating to the division of ownership and responsibility for ESG matters and data collection processes.

Communication is a critical element to the flow of ESG data.

In order to ensure effective communication, the flow of ESG information within an organisation should be regular, ongoing, and cross-organisational. Board, executive management and business units all have an important role to play within sustainability governance structures. A collaborative approach, with clear division of ESG roles and responsibilities across all reporting lines can support the delivery of meaningful efforts.

Effective collaboration between ESG teams and the Board adds value.

The NSTA encourages licensees to consider a direct line of contact between an ESG team and the Board to ensure that ESG content is delivered by appropriate subject matter experts. In that way, the Board can actively engage, monitor, and support improvements in ESG related activities in a timely manner which should ensure a more efficient and effective collective effort.

An example of sustainability governance regime where ESG is integrated top-down and bottom-up from Board to Senior Leadership and to business units responsible for collecting and collating ESG data is shown in Figure 3.

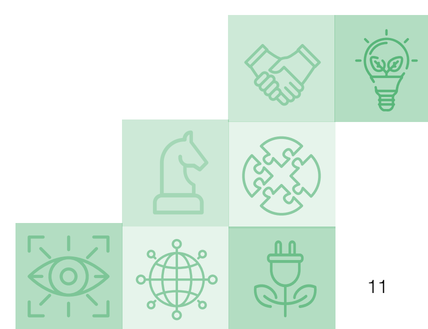
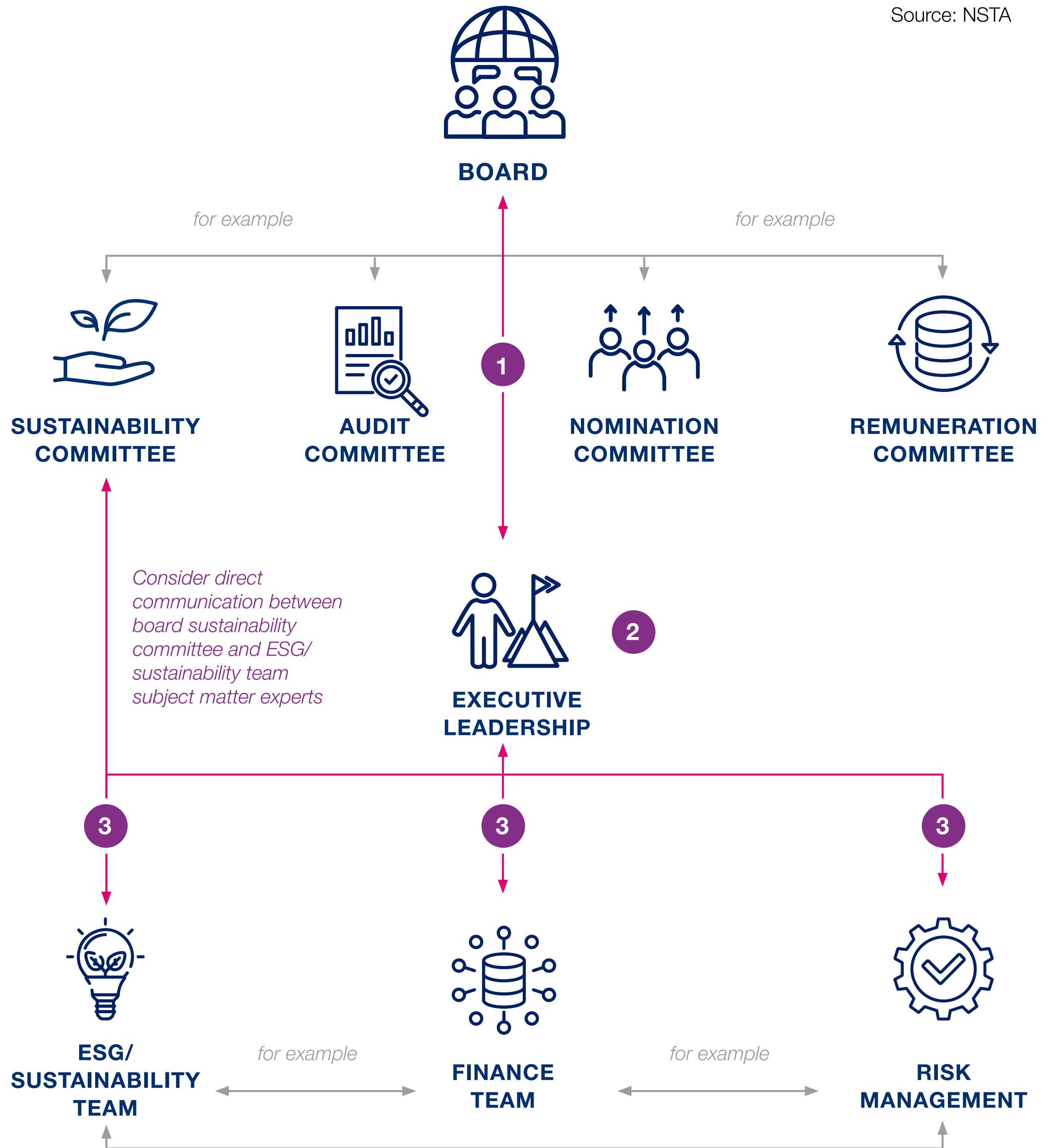


Figure 3: ESG/Sustainability Governance model



1 *Integrate ESG throughout the Board and its committees to ensure a top down (and bottom up) approach to ESG*

2 *Assign ESG responsibilities to senior leadership and consider establishing sustainability committee at executive leadership level*

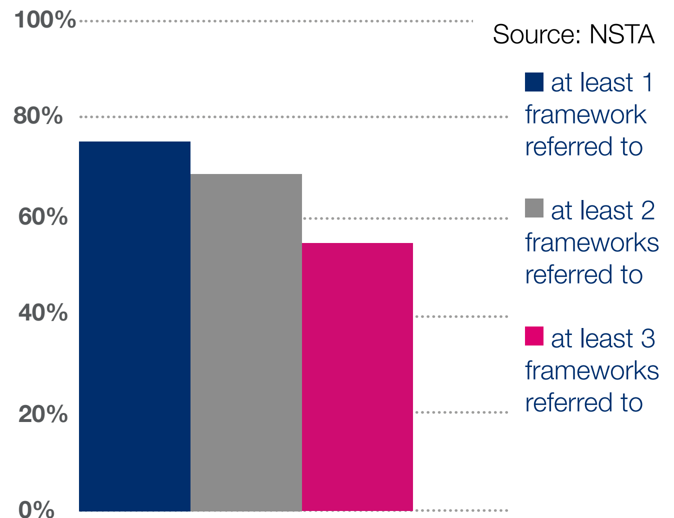
3 *Align ESG activities and responsibilities across business units and emphasise benefits of cross-team communication*

ESG Reporting Frameworks

Applying a framework reduces the gap between leaders and laggards.

Figure 4 shows that over 70% of companies assessed disclose that they refer to at least one recognised framework. At least half disclose that they prepare their report utilising three or more. An increase in the use of appropriate ESG frameworks to assist in the compilation of disclosure should reduce the gap between leaders and laggards, and thereby drive increased consistency, standardisation, and comparability between reports. Of licensees assessed, poorer disclosure is often an outcome of not reporting against a framework, and hence those licensees will tend to score below par.

Figure 4: ESG Frameworks referred to as used in preparation of sustainability disclosure

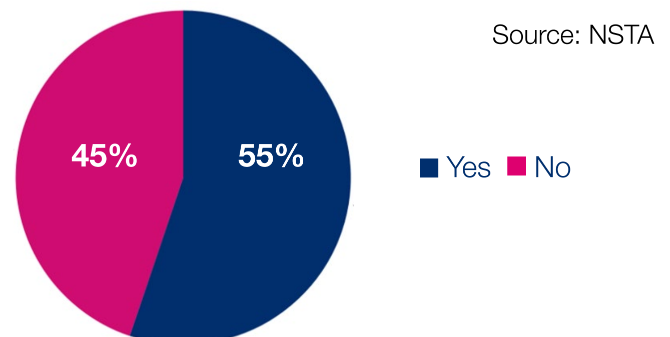


ESG-related Executive KPIs

Despite an increase in disclosure, reporting of ESG KPIs for executive remuneration remains limited.

We have noticed an increase in the disclosure of executive management remuneration being linked to ESG considerations, with greenhouse gas emissions reduction being one of the most common metrics used for that purpose. Currently just over half of those companies assessed disclose ESG linked KPIs for executive remuneration as can be demonstrated in Figure 5. In general, an alignment to ESG KPIs support the delivery of targets and milestones, and as such it is best practice to have appropriate ESG KPIs embedded into executive remuneration.

Figure 5: Percentage of companies with ESG-linked KPIs for Executive Management



Tailored ESG KPIs support delivery of ESG targets.

ESG linked executive pay can be an effective tool to achieve ESG targets, long-term growth and financial health. These KPIs must be based on reliable and accurate data to ensure they are meaningful, embedded in corporate strategy and a means to monitor corporate performance. Specific KPIs should be sufficiently robust and tailored to the licensee, and its most significant ESG challenges and opportunities.

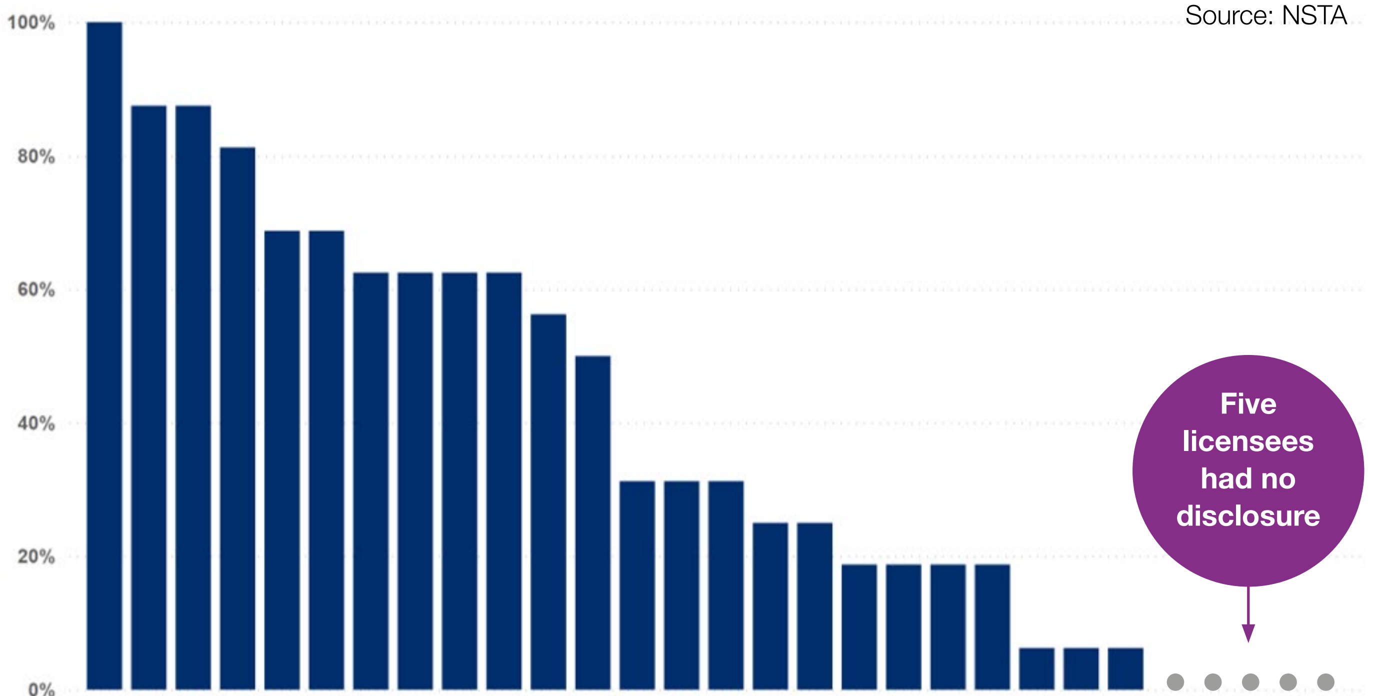
2023 Deep Dive themes

Supply Chain

The Supply Chain theme is the weakest area of disclosure.

Disclosure in support of the supply chain, an important element of the 'S' of ESG, is the weakest area of disclosure in our assessment. Figure 6 shows the wide spread of scores that were obtained against this theme, with disclosure performance falling steeply from the highest performer down to a number of parties where there was no disclosure at all. Where licensees scored low marks, we found that this primarily related to the fact that disclosure was often qualitative at best, too general in focus, and non-standardised. The NSTA acknowledges that this can be due to the particular characteristics and structure of a particular licensee's supply chain. However, the greater scale and complexity of the supply chain often did not necessarily correlate with higher transparency of disclosure or more availability of data.

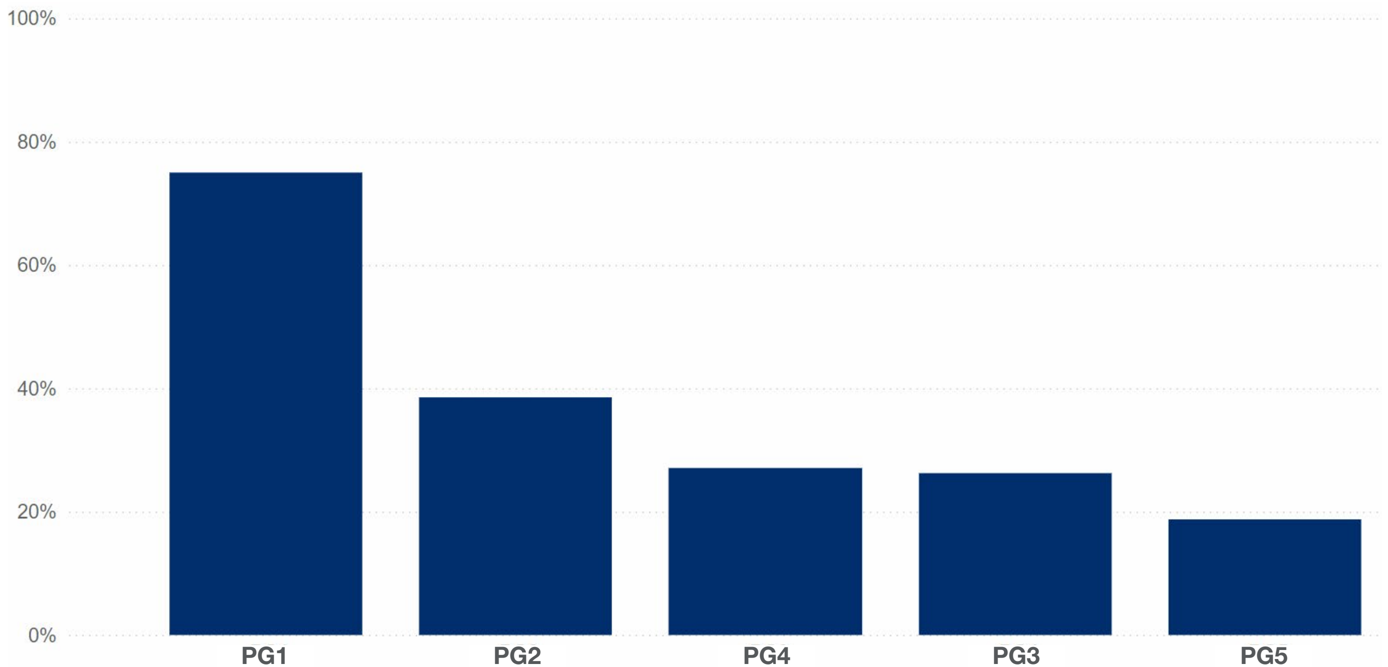
Figure 6: Overall Supply Chain disclosure score by Licensee



As can be seen in Figure 6, more than half of those assessed licensees scored below 40% in terms of disclosure relating to their supply chain. Three scored below 10%, and another four scored below 20%. Five licensees had no disclosure. Such low scores had a significant impact on the majority of the averages across peer groups, as can be seen in Figure 7, with the exception of the Peer Group 1 where the quality of the supply chain disclosure was largely maintained compared to other themes.

Figure 7: Average Supply Chain theme score by Peer Group[2]

Source: NSTA



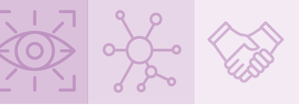
The best disclosed supply chain metrics relate to areas of bribery and corruption (overall average metric score for all assessed companies 60%) and compulsory labour (55% due to requirements placed on businesses by the Modern Slavery Act).

During the course of performing the assessments we noted an improvement in the reporting of supplier screening processes through both a social and an environmental lens, although the scores remain low. In the case of the weaker areas, we found levels of disclosure relating to local supply chain content (28%) and payment terms to the supply chain (14%) particularly low.

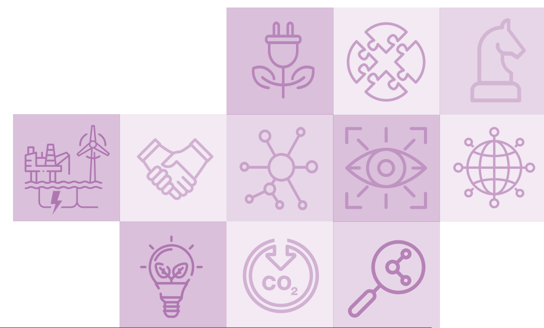
Significant improvements in the depth of disclosure are possible.

There is an increasing number of licensees that review the ESG policies of their supply chain. Supply chain disclosure is one of the few areas where, despite using a similar framework, disclosure can vary significantly from company to company. However, far greater levels of detail in disclosure are expected to be required to address stakeholders' requirements. The NSTA looks forward to engaging further with the sector in this area and will continue to encourage improvements.

[2] *The chart below is presented in descending order of scores.*



Special feature 3

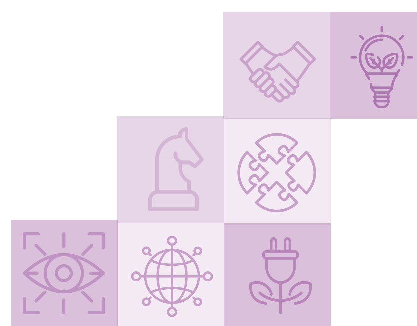


NSTA initiatives in support of the supply chain

The NSTA's Governance Guidance, section 3.15, outlines an expectation that the Relevant Board and its committees should ensure that licensees consider the North Sea Transition Deal and the NSTA's Supply Chain Expectation (SE12) which put the onus on operators to influence the value chain and collaborate to drive improvements in this regard.

Over the course of 2023, the NSTA held two dedicated events to assist industry and its supply chain. The first of these was a dedicated roundtable event where a cross section of attendees from licensees, the supply chain and other relevant stakeholders, such as lenders, were invited to discuss the importance of bringing the supply chain onto the ESG journey. The second was in the form of a seminar at Offshore Europe "ESG through the complete value chain" where the NSTA chaired an insightful discussion with KPMG, Wood Group and Serica Energy on the opportunities for the supply chain and highlighted the importance of operators working closely with their supply chain, as well as the need for cross industry collaboration to standardise supply chain related ESG content.

The aforementioned efforts are in recognition of the EU's Supply Chain Due Diligence proposal, within the Corporate Sustainability Due Diligence Directive which will introduce mandatory obligations to implement robust processes to manage human rights, governance, and environment risks across the supply chain. This will be applicable to in-scope companies incorporated within the EU and certain in-scope non-EU companies active in the EU regardless of where they are headquartered. Many licensees are likely to be within scope. The NSTA will seek to encourage sector readiness for implementing the proposal.



Nature and biodiversity

Natural capital disclosure is improving but remains in its infancy.

In our assessment we have found that biodiversity disclosure is gaining traction. A number of licensees have started their biodiversity journey and have provided initial disclosure relating to biodiversity identification, assessment, and related dependencies, impacts, and risks. The next step would be to determine relevant procedures and clearly identify impacts on the licensees' strategies and financial planning. Currently around a half of the licensees reviewed have started this process.

Biodiversity is becoming more prominent on the global agenda.

Nature and biodiversity, or natural capital, have rapidly moved up the global regulatory agenda in recent years and captured investors' attention. The World Economic Forum estimates that more than half of global economic output is at least moderately dependent on nature[1]. The UK has formally made a commitment to protect and conserve a minimum of 30% of land and sea for biodiversity by 2030. The strategy aims to put UK biodiversity on a path to recovery by 2030 and is likely to contain specific actions and commitments.

TNFD provides licensees with biodiversity reporting guidance.

First steps to biodiversity disclosure may include undertaking a gap analysis to evaluate and assess reporting requirements, clarification of the reporting structure and to understand the metrics and data to be reported against. The NSTA recognises that assessing natural capital is a complicated task, and a vital first step is deciding what to measure. The recommendations and guidance of Taskforce for Nature Related Financial Disclosures ("**TNFD**") were launched in September 2023 and provide a clear set of guidelines for relevant biodiversity disclosure. Although reporting against TNFD is currently voluntary, many companies are starting to review their biodiversity policies and processes.

NSTA will facilitate biodiversity sector discussions.

The NSTA encourages all licensees to consider their nature related financial disclosures and to start considering how they would meet the relevant disclosure requirements. The NSTA intends to hold an ESG roundtable event on TNFD content and approach in 2024 to facilitate knowledge sharing and cross sector discussion on early approaches.

[1] Source: Amanda Russo. "Half of World's GDP Moderately or Highly Dependent on Nature, Says New Report." World Economic Forum, Jan. 19, 2020

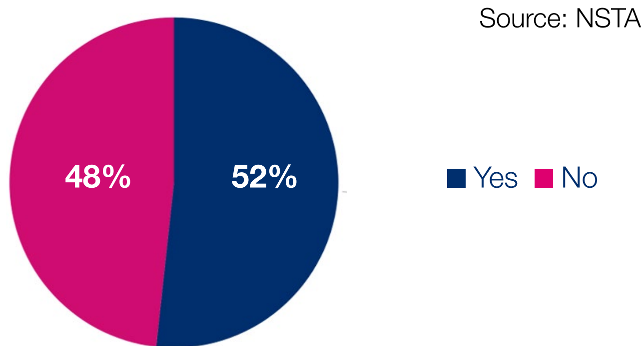
Assurance/external verification

Stakeholder requests drive increased use of external verification of licensees' reporting.

The use of external agencies to assure ESG data and sustainability reports is increasing and the NSTA considers this as a result of both investor expectations and upcoming regulatory requirements. Figure 8 illustrates the percentage of licensees we noted in our assessment that have already verified or assured certain parts of their sustainability reports to varying degrees. The NSTA expects this percentage to increase in future years which reinforces the need for accurate and audit ready data.

Figure 8: Percentage of companies disclosing data verification/assurance

Source: NSTA



Multi-jurisdictional reporting forces disclosure to be assurance ready.

With the new CSRD, (see Special Feature 1) companies within scope will be required to obtain 'limited assurance' (e.g. certain level of assurance from statutory auditors and other assurance services) over compliance with the sustainability reporting standards, their underlying materiality assessment process, and certain reported indicators. Many UKCS licensees with an international presence will be required to report under CSRD. Since sustainability reporting is multi-jurisdictional, licensees will need to ensure that their reports are of sufficient quality across the spread of countries in which they operate.

In the future 'limited assurance' will be replaced by 'reasonable assurance'.

'Limited assurance' varies from 'reasonable assurance' and is the baseline level of assurance, where the auditor obtains "sufficient and appropriate evidence", limiting assurance to specific aspects of the sustainability report. Over time 'limited assurance' could easily move to 'reasonable assurance', which will result in more stringent audit requirements, which are still being defined.

Socio-Economic Reporting

Socio-economic reporting is slowly improving.

This year we have noted an improvement in this area of reporting, in particular in the areas of infrastructure investment (86% of licensees have at least basic disclosure) and direct economic value, which is driven by relatively good availability of relevant data. However, the disclosure of significant indirect economic impacts, which is also considered a feature of this area of reporting, often relies on harder to quantify or to compile data, which can severely impact the quality of disclosure (52% were observed to have no disclosure). The NSTA also noted that reporting investment into energy transition activity would benefit from more transparency, both in terms of capital invested and milestones and targets.

Stakeholders are increasingly seeking socio-economic disclosure.

The industry's business activities and a wide range of supporting actions have significant impact on the economic and social development of host countries. As such, a wide range of stakeholders have a significant interest in understanding those impacts. However, until recently there was a lack of a consistent set of metrics by which socio-economic impact of companies could be assessed and benchmarked. This has now been addressed in a number of frameworks, such as GRI or IPIECA. The NSTA would draw attention to GRI industry guidance and in particular its section on economic impacts, which can provide a useful guide on sector related socio-economic reporting.

High-quality carbon offsetting can support local economic development.

There is a growing awareness that appropriate carbon offsetting projects can have many benefits to sustainable development such as in support of local community projects, poverty reduction and employment opportunities amongst many others. The use of carbon offsetting by licensees is becoming increasingly common both due to regulatory requirements and voluntary initiatives. As carbon offsetting is closely related to disclosure on internal carbon pricing, carbon credits, and information related to emissions trading schemes, greater transparency is being sought by the investment community. We would encourage efforts to ensure availability of appropriate material and numerical data in disclosure. It is the NSTA's position that offsetting will not be considered towards meeting emission reduction obligations.

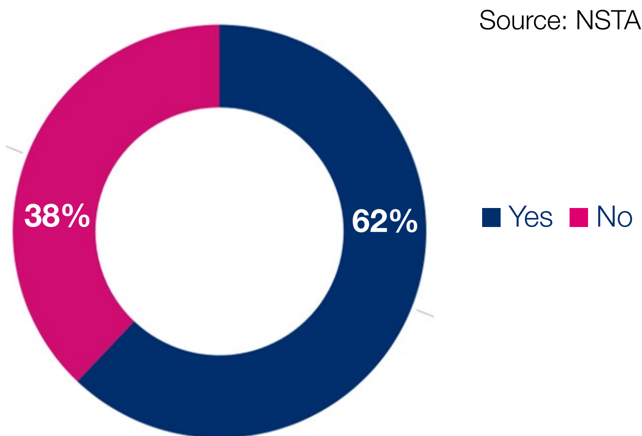
5. Data Centres

Data centres are more widely incorporated in licensee reporting.

This year, following on from our findings and recommendations in last year's report, and widely discussed in our ESG engagement over the course of 2023, we have found the use of ESG data centres has become more prominent. Figure 9 illustrates the proportion of licensees that use a data centre in some format. The use of an ESG data centre appears to be on track to becoming a standard feature of reporting rather than an example of best-in-class practice.

Figure 9: Usage of data centres by Licensees

Source: NSTA



ESG data centre ensures a wealth of information is readily accessible.

An ESG data centre compiles all ESG data into an easy to find location, lends itself to common templates and helps to provide additional consistency and clarity. A data centre can be included as part of the Sustainability or Annual Report, or on a standalone basis.

Several benefits in the use of a data centre should further adoption.

Given the significant volume of data required for an ESG Report, the NSTA is of the view that a data centre is a far simpler and more cost-effective way to provide transparency of data disclosure rather than weaving data through multiple pages of a report with supporting narrative. The NSTA would urge all licensees to consider the benefits of using the data centre approach.

Everything that can be counted does not necessarily count: everything that counts cannot necessarily be counted.

Albert Einstein

Conclusion

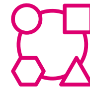
Taking the observations from the ESG disclosures that we have assessed, the NSTA considers that, assisted by both evolving regulatory and investor requirements, the UK's oil and gas industry has made good progress to improve transparency in ESG disclosure and reporting. It must ensure that this momentum is sustained going forward. The OGA Strategy and associated guidance and expectations are in place to assist in this regard and to support the further suggested areas for improvement as outlined in this report.

It remains the NSTA's intent to update this report annually to allow both the NSTA, and the sector, to maintain a clear focus on ESG requirements and to ensure that the UKCS continues to attract investment and maintain its license to operate.

Since 2021 the NSTA has provided industry with a series of ESG recommendations to assist the sector's continued access to finance, long term corporate success and to maintain its social license to operate. This year, recognising ESG reporting is an embedded as business-as-usual activity, we have highlighted areas that the NSTA views are generally weaker, accompanied by some supporting best practice as summarised on the next page.

Areas of focus to drive ESG disclosure improvements

Provision of a detailed numerical dataset in an ESG data centre



Early consideration and analysis in relation to natural capital/ biodiversity disclosure

Enhanced supply chain disclosure

Additional socio-economic reporting (numbers and context)

Developing best practice

1. Provision of a thorough and detailed ESG dataset.
2. Use of frameworks such as Global Reporting Initiative ("**GRI**"), plus TCFD, or Carbon Disclosure Project ("**CDP**") for Climate related disclosure, as well as UN Sustainable Development Goals ("**SDG's**") and supported by IPIECA and SASB to drive consistent and standard disclosure.
3. Disclosure of key numbers and facts (targets over the short- and medium-term) with accompanying milestones, financial implication of achieving targets and progress on delivering to targets.
4. Report in a manner that is relevant to size and impact of operations and avoid generalisation.
5. Showcase that appropriate policies, procedures and structures are in place.

Appendix 1: complete list of themes of the assessment framework

1. Business Ethics
2. Climate Change
3. Corporate Governance
4. Data
5. Emissions
6. Environment
7. Risk Management
8. Socio-economic reporting
9. Supply Chain
10. Workforce

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