

CRH plc. (CRH LN)

Annual General Meeting: Thursday 28 April 2022

Resolutions are being highlighted by a Climate Action 100+ initiative member for the attention of other members as part of the Net Zero Accounting Workstream.

Organization requesting a 'flag' on a resolution:

Natasha Landell-Mills, Sarasin & Partners LLP, natasha.landell-mills@sarasin.co.uk

Investor statement available [here](#) and supporting assessment from Carbon Tracker [here](#).

Resolution text:

The member is flagging three resolutions and stating they are intending to vote AGAINST them:

Resolution #1: To review the Company's affairs and consider the Company's financial statements and the Reports of the Directors (including the Governance Appendix) and Auditors for the year ended 31 December 2021

Resolution #6e: Reappointment of Audit Committee Chair (Shaun Kelly)

Resolution #8: Continuation of Deloitte Ireland LLP as Auditors

[Notice of Meeting](#)

Summary of why the resolution is being flagged

- Despite repeated requests from investors (see Background below), CRH's 2021 Financial statements fail to provide visibility on 1) how material climate risks have been considered; or 2) how CRH's own climate targets have been incorporated into assessments of assets, liabilities and profitability. In addition, there is no disclosure for what a 1.5C pathway might mean for CRH's financial position.
- The result is that investors are unable to ascertain whether CRH would be resilient to accelerating decarbonisation, despite its own ambition to be aligned with a 2050 net zero pathway.
- Moreover, where the accounts are not properly incorporating material climate risks they will drive a misallocation of capital into excessively carbon-intensive activities, thereby potentially destroying shareholder value. This is clearly also harmful for the planet.
- Consequently Sarasin & Partners LLP will be voting as follows at the 2022 AGM, with the stated rationales:
 - **Audit Committee Chair (Shaun Kelly) – Against:** Notwithstanding welcome references to climate change in the Audit Committee's report to shareholders and in the Financial Statements, there is little quantitative information. We continue to lack visibility for 1) how

material climate risks are reflected in critical accounting assumptions, 2) how CRH's own climate targets are integrated into its financial statements, and 3) the implications of a 1.5C pathway for its financials.

- **Auditor (Deloitte Ireland) – Against:** While additional commentary in its UK report describing how climate risks have been considered, and specifically how CRH's carbon emission reduction targets are consistent with the financial statements, Deloitte provides no quantitative disclosure as to the materiality of climate risks. It has taken climate out of its identified Key Audit Matters without explanation. Moreover, it is difficult to understand why it has removed all reference to climate change in its US audit report to shareholders despite global investors express desire to have visibility on this matter. No comment is provided on the sensitivity to a 1.5C pathway, despite CRH's net zero ambition.
- **Financial Statements: Against:** We cannot support approval of CRH's financial statements where there remain questions as to how it has accounted for material climate risks, and where they fail to provide the requested visibility for a 1.5C pathway.

Background

- In November 2020, a large group of investors wrote to CRH's Audit Committee Chair setting out detailed investor expectations for net-zero aligned accounting and audit disclosures. At a high level, the investors were seeking visibility for how 1) expected material climate risks, 2) CRH's own climate targets and 3) a transition onto a 1.5C pathway would impact CRH's financial position.
- Whereas 1 and 2 above should be incorporated into the financial statements, 3 could be provided through sensitivity analysis in the Notes to the accounts.
- Further detail on the investor expectations is provided in this IIGCC briefing paper: [Investor Expectations for Paris-aligned Accounts – IIGCC](#).
- In CRH's 2020 Financial Statements (published Spring 2021), there was no reference to climate risks. The auditor also only made passing reference to how they considered climate factors.
- A follow up investor letter was sent in December 2021, repeating the requests, and pointing to updated regulatory and standard setter statements supporting the investor requests.
- The UK's Financial Reporting Council and European Securities Market Authority have identified the inclusion of material climate risks into financial statements as a supervisory priority for 2022¹.
- The accounting standard setter (IASB) and the audit standard setter (IAASB) have both published guidance in 2020 underlining why material climate risks must be considered under existing standards².
- CRH's 2021 Annual Report & Accounts have once again not met investor expectations regarding providing visibility for how its critical accounting assumptions have incorporated material climate risks, or how its own commitment to carbon net neutrality in 2050 was considered as part of the accounting or audit process. There is no quantitative disclosure for what a 1.5C pathway might mean for its financial position.

¹ [European enforcers target COVID-19 and climate-related disclosures \(europa.eu\)](#); [News | Financial Reporting Council \(frc.org.uk\)](#)

² See: [IFRS - Educational material: the effects of climate-related matters on financial statements prepared applying IFRS Standards](#), [IAASB Issues Staff Audit Practice Alert on Climate-Related Risks | IFAC](#), [Summary-FINAL.pdf \(frc.org.uk\)](#)

- The detailed assessment of its 2021 Financial Statements is provided below under ‘Rationale details’.

Rationale details

Please refer to detailed analysis by the [Climate Accounting & Audit Project](#).

Conclusion

CRH’s 2021 Annual Report & Accounts has not provided visibility for how its critical accounting assumptions have incorporated material climate risks, or how its own commitment to carbon net neutrality in 2050 was considered as part of the accounting or audit process. There is no quantitative disclosure for what a 1.5C pathway might mean for its financial position.

CRH’s auditor, Deloitte, has likewise provided inadequate detail on how it established that material climate risks were captured in the accounts. Deloitte removed reference to climate risks in its Key Audit Matters without explanation, and removed all reference to climate in its US auditor report. Sarasin & Partners will be holding the Audit Committee Chair and Auditor to account at the 2022 AGM, and voting against approval of the financial statements.