
GUIDANCE ON MANDATORY REPORTING REQUIREMENTS FOR QUOTED COMPANIES

Under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 quoted companies are required to report their annual emissions in their directors' report.

This section specifically applies to those companies affected by the regulation. It sets out both the requirements of the regulation and also outlines additional information that is likely to be useful to data-users.

IS MY COMPANY REQUIRED TO REPORT?

Quoted companies in this respect are those that are UK incorporated **and** whose equity share capital is officially listed on the main market of the London Stock Exchange; or is officially listed in a European Economic Area; or is admitted to dealing on either the New York Stock Exchange or NASDAQ. Companies within the scope of the regulation must adhere to its requirements.

If you are a company or organization not affected by these regulations you are recommended to report voluntarily in line with the voluntary accounting & reporting guidance in the following chapter of this document. Quoted companies may also choose to report in line with that guidance in addition to meeting the regulatory requirements.

Determine whether you are a quoted company required to report within the terms of the regulation. Check with your finance director or company secretary if you are unsure.

WHEN WILL MY COMPANY HAVE TO START REPORTING?

The requirement comes in to place for company reporting years ending on or after 30 September 2013. You will need to check what reporting year your company uses. This refers to the year-end date, not the date of publication of the directors' report.

Your usual financial year	Your first reporting year under the regulation
1 January to 31 December	1 January 2013 to 31 December 2013
1 April to 30 March	1 April 2013 to 30 March 2014
1 October to 30 September	1 October 2012 to 30 September 2013

Depending on your financial year, your company might be required to report data on emissions that occurred before the regulation was made. If you do not have the information necessary to meet the regulatory requirement in the first reporting year, you must either:

- provide an estimation instead, based on extrapolating data that you do have, or use generic data that is not specific to your company. You are required to disclose your methodology and this would form part of your methodology; or
- explain why you are unable to provide 12 months' data¹.

WHAT PERIOD SHOULD I COLLECT DATA FOR?

You should ideally report on emissions for the period corresponding with your company's financial year. You may report emissions for a different twelve month period to your financial year but you must state in the directors' report if you have done so². For example, company A historically reports emissions data on a calendar year basis whereas their financial year is April to March. In this example company A could either continue to report emissions on a calendar basis or switch to reporting emissions on a financial year. If you report emissions for a different period to your financial year, the majority of your emission reporting year should still fall within the period in directors' report.

¹ See Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 regulation xx and regulation xx).

² See Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 regulation xx

Quoted companies may use a reporting time period that does not correspond with their financial report, but must state if they have done so.

WHAT MUST MY COMPANY REPORT?

Under the regulations quoted companies are required to report on their greenhouse gas emissions from activities for which they are responsible. Many companies have established reporting practices using GHG accounting methodologies such as the [GHG Protocol Corporate Standard](#) and [ISO 14064-1](#). These companies should satisfy themselves that their existing GHG accounting approaches cover emissions from activities for which they are responsible. The next step is to consider the requirements of the directors' report as this is the context in which greenhouse gas emissions information must be reported. The directors' report contains information relating to operations³ covered by the consolidated financial statement.

If companies consider that reporting emissions from activities for which they are responsible means that they will:

- a) Not report on GHG emissions from certain operations covered by the consolidated financial statement; or
 - b) Report on GHG emissions from operations that are not included in this statement
- they must make this clear.

Readers of the emissions data should have a clear understanding of the operations for which emissions data has been reported and if and how this differs from operations within the consolidated financial statement.

For example, you may conclude that you have responsibility for the GHG emissions of one of your associate undertakings, hence include them in your inventory even though you do not consolidate but equity account for that associate in your consolidated accounts: you must explain this. Alternatively you may consolidate a subsidiary for the purposes of preparing financial statements but conclude that you are not responsible for the greenhouse gas emissions from that subsidiary (because for example, the GHG-emitting activities have been

³ Please note that the term "operations" is used here as a generic term to denote any kind of business activity, irrespective of its organizational, governance, or legal structures.

outsourced and are under the control of a third party). In those circumstances you may exclude the GHG emissions from the directors' report but you must explain why.

Quoted companies must report on emissions from activities for which they are responsible.

MUST I REPORT ALL MY EMISSIONS?

You are required to quantify and report on emissions of the following greenhouse gases⁴ - carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆). (But see later guidance for a discussion of materiality.)

You are not required to give individual figures for emissions of each of the GHGs listed. Indeed few companies will emit all of the GHGs listed. However, you must state in your directors' report the annual quantity of GHG emissions in tonnes⁵ of carbon dioxide equivalent⁶ (CO₂e) from the following emission sources⁷:

- a. the combustion of fuel, e.g.:
 - Stationary combustion: combustion of fuels in stationary equipment such as boilers, furnaces, burners, turbines, heaters, incinerators, engines, flares, etc.
 - Mobile combustion: combustion of fuels in transportation devices such as automobiles, trucks, buses, trains, airplanes, boats, ships, barges, vessels, etc.
- b. the operation of any facility.

This category is not limited to emission sources that are permanent or land-based or stationary. This category would also include emission sources that are: mobile; temporary e.g. mobile offices; and marine-based e.g. oil production platforms. The

⁴ As defined in section 92 of the Climate Change Act 2008

⁵ Tonnes or metric tons

⁶ The Climate Change Act 2008 says a "tonne of carbon dioxide equivalent means one metric tonne of carbon dioxide or an amount of any other greenhouse gas with an equivalent global warming potential (calculated consistently with international carbon reporting practice)."

⁷ See Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 section XX.

following types of sources of emissions should be considered when identifying emissions on which to report⁸:

Process emissions: emissions from physical or chemical processes such as CO₂ from the calcination step in cement manufacturing, CO₂ from catalytic cracking in petrochemical processing, PFC emissions from aluminum smelting, etc.

Fugitive emissions: intentional and unintentional releases such as equipment leaks from joints, seals, packing, gaskets, as well as fugitive emissions from coal piles, wastewater treatment, pits, cooling towers, gas processing facilities, etc.

- c. a separate figure giving the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity, heat, steam or cooling by the company for its own use.⁹

In the case of companies that are lessees of an emission source, they should decide if they have responsibility for that emission sources e.g. electricity¹⁰ use within the building. This determines whether companies must report emissions associated with the electricity¹⁹, rather than their method of payment. (Refer to earlier section on “What must my company report” for a discussion on boundaries of reporting).

If you decide that you do have responsibility for emissions either as a lessee or as a lessor, but cannot get the consumption data necessary to calculate the emissions, then you may either estimate the emissions or state that emissions from the building are excluded and explain why (see the section on “comply or explain”).

The totals arrived at from the above are similar respectively to scopes 1 and 2 of the GHG Protocol Corporate Standard and the direct emissions and energy indirect emission categories of ISO 16064-1.

⁸ This list is taken from page 41 of the GHG Protocol Corporate Accounting and Reporting Standard.

⁹ See Companies Act 2006 (Strategic Report and Directors’ Reports) Regulations 2013 section XX.

Electricity traders would not report the emissions from electricity that they bought for re-sale within this category, although they could report these emissions as a separate, optional information item.

See UK Government voluntary accounting & reporting guidance for how to account for emissions associated with the use of electricity, heat, steam or cooling generated by another organisation, which you do not pay for. This is more likely to occur with heat where the generating organisation has surplus heat that it passes to another organisation rather than waste it.

¹⁰ Or heat, steam or cooling.

You are **not** required to report on other emissions associated with inputs into your company (such as emissions from your supply chain) or emissions linked with outputs from your company (such as emissions from your products when they are used by your customers). However, you should consider reporting these separately to give a wider picture of your organization to investors and shareholders (See the recommendations on scope 3 emissions in the following chapter on voluntary reporting).

Having established the activities for which you are responsible, you may also wish to consider whether particular emissions are material to the total of your company emissions. Materiality will depend on the circumstances of your individual company. It will be influenced by issues such as the size and nature of an operation. It is for you to judge whether an emission is material or not.

The *'characteristics of materiality aim to provide a 'workable filter on information, allowing investors to see major trends and significant events'¹¹ and eliminate 'immaterial clutter' and 'unnecessary or duplicative detail that obscures major trends and events'¹². In considering which emissions are material to your company, you may wish to consider whether the collection and reporting of certain emissions or operations would provide additional value for users in the context of your company's overall emissions data and management.*

COMPLY OR EXPLAIN

You must make every reasonable effort to acquire all material data to comply with the regulations. However, there may be circumstance where you find it difficult to compile all necessary data in a timely manner to comply with reporting requirements, e.g. because of significant restructuring or acquisitions by your company in the run up to producing your directors' report.

Should you be in the situation where you cannot report on all material emissions for which you have responsibility, you must state what is omitted and explain why in your directors' report¹³. It is recommended that you set out the steps you are taking to acquire the information.

¹¹ Climate Change Reporting Framework – Edition 1.1 September 2012. Climate Disclosure Standards Board.

¹² *ibid*

¹³ See Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 section XX.

Quoted companies must report on all material emissions of the 6 Kyoto gases from direct sources and from purchased electricity, heat, steam and cooling.

Quoted companies must state in their directors' report if they have omitted any material emissions.

MUST I USE A PARTICULAR METHODOLOGY FOR MY CALCULATIONS?

There is no prescribed methodology under the regulations, but for effective emissions management and transparency in reporting it is important that you use robust and accepted methods. It is recommended that you use a widely recognized independent standard, such as:

- [ISO14064 – Greenhouse gases. Part 1 \(2006\)](#)
- The WRI / WBCSD [Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard](#) (Revised Edition)
- UK Government's "Guidance on how to measure and report your greenhouse gas emissions" (2013 version)

There are also reporting approaches and programs based on or drawn from the Greenhouse Gas Protocol Corporate Standard and [ISO 14064-1](#), including:

- [The Climate Disclosure Standards Board Climate Change Reporting Framework – Edition 1.1 October 2012.](#)
- [The Global Reporting Initiative Sustainability Reporting Guidelines](#)

The Carbon Disclosure Project has developed a list of commonly cited methodologies, protocol and standards¹⁴. There may be existing methodologies developed by certain sectors, such as those for the petroleum industry¹⁵. Companies within those sectors may wish to consider using sectoral methodologies where appropriate.

¹⁴ Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013 See Q7.2

¹⁵ The International Petroleum Industry Environmental Conservation Association (IPIECA) "Petroleum industry guidelines for reporting greenhouse gas emissions".

You may use relevant information from other domestic and international regulatory reporting processes to fulfill your mandatory reporting obligations in your directors' report. Data from the following may be useful:

- Climate Change Agreements (CCA)
- The EU Emissions Trading Scheme (EU ETS)
- The Carbon Reduction Commitment Energy Efficiency Scheme (CRC Energy Efficiency)
- Reporting or disclosure schemes in other countries

If you have used data compiled in fulfillment of other regulatory requirements, then state this as one of the methodologies that you have used to make your report.

If you decide to use information from regulatory schemes, you need to consider whether additional data is needed to satisfy these GHG reporting requirements. Data under other schemes may only cover some of your organisation's GHG emissions and only give part of the required information. For example the CRC Energy Efficiency scheme only applies to certain emissions in the UK and only covers carbon dioxide, so the electricity figure calculated under CRC Energy Efficiency would be different to one calculated under the UK Government's voluntary reporting guidelines or GHG Protocol Corporate Standard. You will need to consider where the data you have collected needs to be supplemented with additional information.¹⁶

You must state in your directors' report the methodology or methodologies used¹⁷.

Quoted companies must state what methodology or methodologies they have used for calculating their GHG emissions.

MUST I SHOW EMISSIONS OVER TIME?

¹⁶ Methane and nitrous oxide are emitted in small amounts when fuel is combusted to generate electricity. Companies that have already calculated their emissions from purchased electricity using the CRC Energy Efficiency's emission figures should decide whether emissions of these gases are material and therefore warrant recalculation.

¹⁷ See Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 section XX.

Reporting of previous years' emissions with your latest information provides readers with the ability to see trends in your emissions over time.

With the exception of the first mandatory reporting year, you must repeat the emissions data disclosed in your previous report alongside information on emissions from your present year¹⁸. In effect you will have a rolling one year comparator for your data.

If you have been voluntarily reporting your greenhouse gas emissions for a number of years, you will have information that could be helpful to readers to understand trends and how your company is managing emissions. You may wish to report information beyond the minimum mandatory requirement of the previous year to give readers a longer emissions history.

If companies have undergone structural changes since the previous reporting period, they may wish to re-calculate the previous year's emission figures. Chapter 5 of the [GHG Protocol Corporate Standard](#) explains about re-calculating past emission figures. This is **not** a regulatory requirement, but, if you have done so, please make this clear in your report.

Quoted companies must state the emissions disclosed in their previous year's directors' report alongside their current year's data.

INTENSITY RATIOS

Your directors' report must also express your emissions by way of an intensity ratio or ratios¹⁹. Intensity ratios compare emissions data with an appropriate business metric or financial indicator, such as sales revenue or square metres of floor space. This allows comparison of performance over time and with other similar types of organisations. The voluntary reporting guidance in the next section provides further advice on intensity ratios and the measurements that may be appropriate.

Companies must state at least one intensity ratio that relates to their annual emissions i.e. for the entire company²⁰. However, they may provide additional metrics either covering all or part of the company at their discretion.

¹⁸ See Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 section XX.

¹⁹ See Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 section XX.

²⁰ See Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 section XX.

Quoted companies must express their annual emissions using at least one intensity ratio related to their activities.

SHOULD I GET MY EMISSIONS DATA VERIFIED?

There is no requirement in the regulations for emission data to be independently verified or assured so the statutory auditor of the financial statement does not need to assure or verify environmental information provided in the directors' report. However the auditor will be required to:

- consider whether the information is consistent with the financial statements²¹; and
- consider whether the information is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by the auditor in the course of performing the audit²²; and
- consider the need to qualify their report if they become aware of such an inconsistency or apparent misstatement, and that matter is unresolved. In addition, whilst they are not required to consider whether the directors' report complies with the relevant laws and regulations, if they become aware of any material non-compliance (which might include becoming aware of failure to provide material emissions data) then they would need to discuss the matter with management and those charged with governance.²³

Whilst assurance is not a regulatory requirement it is recommended as good practice. Independent verification/assurance on the accuracy, completeness and consistency of GHG emissions data will be beneficial to both internal decision-making and for external stakeholders. The voluntary reporting section of this document provides further guidance on verification/assurance.

²¹ S496 Companies Act 2006 and ISA (UK and Ireland) 720 Section B.

²² ISA (UK and Ireland) 720 Section A (Revised October 2012).

²³ ISA (UK and Ireland) 250 Section A.

EXAMPLE CORPORATE GHG REPORT

The table below shows the data-points that are required under the regulation.

Companies are not required to use this format. Note that in the first year of reporting companies are not required to give a comparison year²⁴, so this table shows a second year of reporting.

Global GHG emissions data for period 1 April 2014 to 31 March 2015		
	Tonnes of CO ₂ e	
	Current reporting year	Comparison year
Emissions from:	2014-2015	2013-2014
Combustion of fuel & operation of facilities	18,100	11,700
Electricity, heat, steam and cooling purchased for own use	14,500	15,100
Company's chosen intensity measurement: Emissions reported above normalised to per tonne of product output	0.49	0.54

²⁴ See Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 section XX.

Methodology

We have reported on all of the emission sources required under the Quoted Companies Greenhouse Gas Emissions (Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statement. We do not have responsibility for any emission sources that are not included in our consolidated statement.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2014.

Who will enforce mandatory reporting requirements?

The regulations are made under the Companies Act 2006. The Conduct Committee of the Financial Reporting Council is responsible for monitoring compliance of company reports and accounts with relevant reporting requirements of that Act. The Committee has the power to enquire into cases where it appears that relevant disclosures have not been provided. The Committee also has the power to apply to the court under section 456 of the Act for a declaration that the annual report or accounts of a company do not comply with the requirements and for an order requiring the directors to prepare a revised report and/or set of accounts.

As far as possible, however, the Conduct Committee operates by agreement with companies whose reports it reviews and, to date, has achieved its objectives without recourse to court. The Committee exercises its functions with regard to the principles of good regulation including proportionality, consistency and targeting. It raises concerns with companies where there is evidence of apparent substantive non-compliance. It also responds to well informed complaints.