
Straight away

Corporate reporting bulletin from PwC

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Mandatory reporting on Greenhouse Gas Emissions

What is the issue?

Reporting Greenhouse Gas (GHG) Emissions will be mandatory for all quoted companies listed on the main market of the London Stock Exchange (LSE). The regulations have been laid before Parliament as an amendment to the Companies Act 2006; they will go live for companies with financial years ending on or after 30 September 2013.

Scope and objective

The regulations are significant, requiring affected companies to report their global GHG emissions. While elements of sustainability and emissions reporting are common in FTSE 100 companies, standards are less uniform in the FTSE 250 and FTSE allshare.

The legislation is in line with other current reporting initiatives seeking greater transparency, including the Department for Business, Innovation & Skills' recent consultation on the future of narrative reporting. Specialists see the proposals as a landmark change to the way that UK corporates contribute to information on climate change and how their businesses are mitigating the related risks.

Impact

The initial proposals received broad business support, and the current initiative marks a legislative response to more recent stakeholder pressure, largely on the FTSE 100, to report GHG emissions.

Voluntary carbon reporting developed many years ago as the scale of the global climate change challenge became increasingly apparent. Our analysis of the FTSE 100 found that 98% already report some sustainability information, either in the annual report or in a separate sustainability report. Many companies' GHG reporting goes much further than the new regulations.

Am I affected?

The mandatory reporting will affect quoted companies incorporated in the UK that have equity share capital listed on the main market of the LSE.

What do I need to do?

For companies not already reporting GHG emissions, the first year of reporting will mean a significant change in information disclosed:

- Reporting is mandatory for Scope 1 and 2 emissions only, and must cover a company's global operations. Reporting of Scope 3 emissions is voluntary.
- Emissions must be reported using an intensity ratio (for example, units of production), using suggested methodologies (such as the GHG Protocol), with a comparative, and they must be disclosed in the directors' report.
- The freedom to use existing reporting methodologies will enable many to use their current voluntary reporting to meet the reporting requirements.
- Companies can choose their reporting boundary, but must explain any differences from the boundary used for financial reporting. So, emissions data from other compliance schemes, such as the European Union Emissions Trading Scheme or the UK Carbon Reduction Commitment (CRC), are acceptable.
- 'Report or explain' exemptions are available if companies do not have the information for the entire first year; and, although reporting companies

'must make every reasonable effort to acquire all material data to comply with the regulations', the exemption is available if companies do not have the required data (for example, due to significant restructuring).

- Materiality of emissions to the business can be determined by the company, which will be helpful for companies without data on smaller emissions (for example, refrigerant gases).

There is no requirement for companies to seek assurance; however, making GHG reporting mandatory is driving increased scrutiny and, as a result, an increased demand for assurance.

Read PwC's response to the DEFRA consultation on GHG reporting draft regulations:

<http://www.pwc.co.uk/who-we-are/consultation-responses-october-2012.jhtml>

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