Environment Agency

Environmental disclosures

The third major review of environmental reporting in the annual report & accounts of the FTSE All-Share companies

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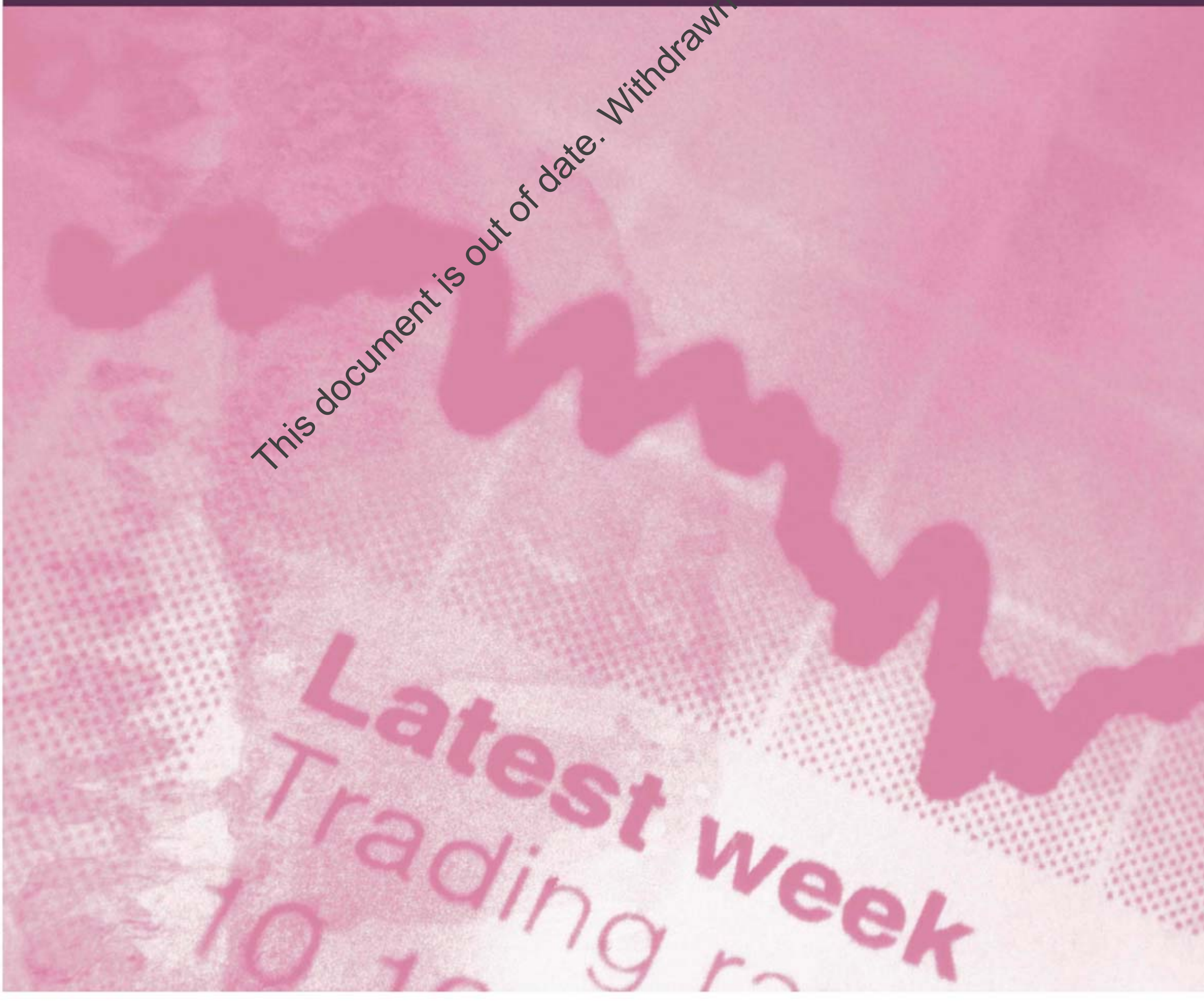

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The Environment Agency. Out there, making your environment a better place.

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Foreword

In 2003 the Government asked the Environment Agency to assess environmental disclosures in the statutory annual report and accounts of FTSE All-Share companies listed on the London Stock Exchange. The aim being to establish a 2004 baseline before the new Companies Act became law in 2006 and to repeat the assessment using the same methodology in 2006 and again in 2009.

Over this period new mandatory disclosure frameworks do appear to be driving more qualitative disclosures but there is scope for further improvement in quantitative disclosures to help customers, shareholders, and financial investors make better informed decisions.

99% of FTSE listed companies made qualitative environmental disclosures with 89% on waste management, 79% on pollution, 62% on climate change, 61% on environmental management systems, 57% on energy, and 57% bio-diversity and land use.

67% of FTSE listed companies made quantified disclosures on at least one of the three key performance indicators, with 62% on energy use and climate change, 41% on waste and 25% on water. Around 57% were in the business review section and 36% in the externally audited sections of the annual reports. But only 22% on energy use and climate change, 12% on waste, and 10% on water were in accordance with government guidance. There were few disclosures on environmental incidents, spending, trading, taxes, penalties or fines.

Within this report there are some examples of good practice in environmental disclosure, and we have also published detailed guidance '*Environmental Issues and Financial Reporting*' with the Institute of Chartered Accountants in England and Wales.

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Environmental disclosures in 2009-2010

More companies listed on the London Stock Market and FTSE All-Share are including qualitative information about environmental impacts in their statutory annual reports and accounts. Increasingly these disclosures contain quantitative data but there is scope for further improvement by increased use of government guidance on key environmental performance indicators.

This study reviews the environmental disclosures published in 2009-2010 by companies listed in the FTSE All-Share. Under existing statutory reporting requirements, these companies must report on significant environmental matters in their statutory annual reports and accounts.

We look at changes in the level and quality of corporate environmental disclosures since our baseline report in 2004 and our last review in 2006. Since our first study, the law and rules concerning environmental disclosures by companies have been strengthened. Where relevant, companies must report environmental matters in their Business Reviews as part of their statutory annual reports and accounts – or state why they have not done so.

As well as reviewing the latest environmental reporting trends, we examine disclosure frameworks, highlight 11 examples of good practice in carbon, water and waste reporting, and look at the future of corporate environmental reporting.

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Headline results

Most companies are now referring to an environmental topic in their 2009-2010 annual reports. However, many of these references are relatively basic, sometimes simply referring to key phrases or topics without any supporting quantitative environmental performance data. 99% of companies in the FTSE All-Share referred to environmental issues in 2009-2010, a 1% increase on the 2006 level.

67% of FTSE All-Share companies are reporting quantitatively on their environmental impacts. While this is a marked increase on the 42% which did this in 2006, only 28% of companies are providing comparable figures on their environmental impacts, using government guidance.

36% of the environmental disclosures were made in the audited sections of companies' annual report and accounts. 57% of environmental disclosures were made in Business Reviews. 40% of environmental issues were discussed in Operating and Financial Reviews (OFRs), which may be reinstated by the coalition government.

90% of companies included a Business Review and 7% included an OFR in their annual reports. 9% provided neither. 6% of companies included both a Business Review and an OFR.

Climate change and energy use are the topics with the most quantitative disclosures. Some 62% of companies produced quantitative information on these, a 112% increase on 2006. Only 22% were in accordance with the latest government guidance at the time.

Companies are increasingly focusing on key environmental issues such as pollution. 79% of companies referred to this topic in 2009-2010, compared with only 56% in 2006.

The biggest increase in reporting between 2006 and 2009-2010 was for references and discussion of environmental management systems (EMS), up from 33% to 61%.

33% of companies referred to environmental procurement in 2009-2010, a significant increase from 10% in 2004. This suggests that companies are growing more aware of both the risks and opportunities of the increasing focus on reducing indirect environmental impacts from supply chains.[1]

Discussion of biodiversity/land use has increased by 139% since 2004, from 24% in 2004 to 57% in 2009-2010. This may indicate a growing awareness of these issues by companies, and the material impacts linked to them. In contrast, only 45% of companies discussed sustainability or corporate social responsibility, down from 57% in 2006.

Table 1 sets out the key findings of the report with comparable figures (where available) from the analysis undertaken in 2004 and 2006. From this data it is apparent that the total number of companies in the FTSE-All Share has reduced since previous analysis. This largely reflects the economic situation, with fewer companies seeking listed status, an increasing number of mergers and businesses moving into private ownership, and others reducing in market capitalisation or suffering liquidity drops making them no longer eligible for the indices. It is also the case that most of the changes in constituents take place at the smaller end of the index universe, and will not generally involve larger companies.

In addition, the total of 458 companies is less than the overall number of FTSE-All Share companies as our research excludes investment trusts on the basis that they largely exist to own shares or securities in other companies.

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Table 1: Key statistics on environmental topics and frequency of environmental disclosures in statutory annual reports and accounts

	2004	2006	2009-2010
Number of companies analysed	506	537	458
Percentage of FTSE All-Share companies with an environmental disclosure	89	98	99
Percentage of FTSE Small Cap companies with an environmental disclosure	80	97	98
Percentage of FTSE All-Share companies:			
with environmental disclosures in audited sections of their annual report and accounts	10	35	36
with quantitative environmental reporting one or more of the three core KPIs (climate change and energy use, water and waste)	**27**	**42**	**67**
reporting quantified figures on climate change or energy use	N/A	29	62
reporting quantified figures on water	N/A	12	25
reporting quantified figures on waste	N/A	27	41
reporting one or more of the three core KPIs as a quantified figure in accordance with government guidance	10	15	28
reporting quantified figures on climate change or energy use in accordance with government guidance	N/A	12	22
reporting quantified figures on water in accordance with government guidance	N/A	4	10
reporting quantified figures on waste in accordance with government guidance	N/A	8	12
reporting quantified figures on all three core environmental KPIs in accordance with government guidelines	N/A	3	6

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Looking forward

Demand from customers, shareholders and investors for better environmental disclosures and reporting is rising because of the growing financial materiality of energy use, greenhouse gas emissions, waste disposal, and water use.

Leading investors seek to integrate comparable environmental data into their financial analysis to identify companies with superior environmental performance and low exposure to future environmental risks to inform their investment decisions.

Statutory reporting standards are starting to help meet this demand for better information on company environmental performance and cost savings from more efficient use of natural resources.

However there is clearly scope for further improvement in measuring and reporting environmental Key Performance Indicators (KPIs). Many companies could provide information that is more consistent with reporting frameworks in their annual reports and accounts in order to catch up with their peers.

Disclosure levels and the quality of information provided vary significantly even within sectors. More companies could use accepted international and national standards to measure, manage and report their environmental impacts and position their businesses for regulatory compliance and sustainable procurement opportunities.

Companies already disclosing and who demonstrate good practice help strengthen environmental reporting norms. Measuring, managing and reporting environmental impacts can help deliver wider business goals such as cost savings, productivity gains, regulatory compliance, business continuity, a stronger position in the marketplace and lower costs of capital.

Moreover companies that can demonstrate how their environmental performance exceeds that of their sector peers may also benefit from greater market share. Resource-efficient businesses are also better placed for the shift to a low-carbon economy.

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Environmental disclosure frameworks

The Environment Agency commissioned this study as part of our ongoing work to encourage the use of existing government guidance on corporate environmental reporting. The report looks at environmental disclosures in the statutory annual reports and accounts of FTSE All-Share companies. This section outlines the frameworks in which UK-listed companies must report on environmental issues.

The critical first step in managing and reducing environmental impacts is the act of identifying which are most significant and measuring them. Investors and other business stakeholders need clear information on these environmental impacts to understand how a company is positioned for any related risks and opportunities. We have undertaken this research to review the uptake of voluntary government guidance on reporting environmental impacts, published to support companies in disclosing this information. UK company law and guidance on environmental disclosures aim to encourage companies to provide information that is relevant, comparable and reliable.

The aim of this report is to explore the progress made by FTSE All-Share companies on environmental disclosures since our review of reporting in 2006, and to compare findings against a 2004 baseline. The previous studies found that environmental information provided by most companies was not comprehensive and lacked the quantitative data to demonstrate performance. However, reporting has improved since legal requirements to report significant environmental impacts came into force under the EU Accounts Modernisation Directive.

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What do directors need to know?

Directors need to understand the Companies Act 2006 and how to report on environmental matters. They are legally liable for including adequate information in annual reports and accounts and shareholders have the right to sue company directors for failing to do so. Adequate information includes a director promoting the success of the company, and in doing so he or she must have regard to factors including 'the impact of the company's operations on the community and environment'.

Companies Act 2006

Under the Act, which implements requirements of the EU Accounts Modernisation Directive, large companies are obliged to report on environmental issues in a Business Review as part of their annual reports and accounts. Since the previous study, reporting requirements have been expanded and require Business Reviews to include, 'where appropriate, analysis using key performance indicators including information relating to environmental matters'.

A UK stock market listed company with a financial period beginning on or after 1 October 2007 must ensure that its Business Review, 'to the extent necessary for an understanding of the development, performance or position of the company's business', includes:

(a) The main trends and factors likely to affect the future development, performance and position of the company's business;
(b) information about:
  - environmental matters (including the impact of the company's business on the environment)
  - the company's employees
  - social and community issues.[2]

Reviews must include information about any company policies on above matters and the effectiveness of those policies.

If the Business Review does not contain the above information, it must point out the omission and say what type of information has been left out. The rules to report environmental matters aim to 'inform members of the company and help them assess how the directors have performed their duty to promote the success of the company'.[3]

The coalition government has consulted on proposals about the future of narrative reporting, which includes provisions on environmental and other issues. Consultees were asked whether it would be useful for the government to reinstate reporting provisions previously included under the Operating Financial Review (OFR) regulations, repealed in 2005. In particular, the government is considering reintroducing a statutory reporting standard to improve the quality of reporting. A summary of findings were published in December 2010[4], and policy proposals will be brought forward by Budget 2011 in March 2011.

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Environmental reporting guidelines

The International Accounting Standards Board (IASB) has consulted on *Guidance for Management Commentary* – the international term for the Business Review – and published a framework in December 2010. The guidance sets out a proposed non-mandatory framework to help companies prepare and present Management Commentaries, reflecting the regulatory environment in which they operate.[5]

Environmental Key Performance Indicators: Reporting Guidelines for UK Business (2006) published by the Department for Environment, Food and Rural Affairs[6] describes 22 environmental key performance indicators (KPIs) that companies can use for reporting their environmental impacts in their Business Reviews. As well as providing sector specific KPIs, the guidance will help companies to understand how to measure and report relevant environmental data. Sector analysis shows that 80% of companies are likely to have five or fewer KPIs and 60% to have no more than three KPIs. The most common KPIs concern greenhouse gases, water, waste and acid rain and smog precursors such as sulphur dioxide emissions from burning fuel. Certain industries might need to report on a broader range of KPIs. For instance, power utilities could release significant acid rain and smog precursors (see page 45). No single company would be expected to report on all 22 KPIs.

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What do directors need to do?

- Identify audience and KPIs for activities in their relevant business sectors.
- Establish annual measurement and reporting processes.
- Collect and standardise data.
- Decide on whether to verify data.
- Report on relevant KPIs in Business Reviews.

Environmental issues relevant to financial statements

Financial provisions could be required for liabilities such as waste disposal, pollution, decommissioning and environmental contamination costs, according to a report on best practice in reporting environmental issues in financial statements published by the Environment Agency and The Institute of Chartered Accountants in England and Wales (ICAEW) in 2009.[7] Specific disclosures may be necessary for environmental issues that have a material impact.

The treatment and disclosure of environmental issues under certain accounting standards and interpretations depend on the nature of the business. For instance, businesses that emit high levels of carbon dioxide and are covered by the EU Emissions Trading System should account for the assets and liabilities associated with emissions rights (EU Allowances) and transactions in line with international accounting standards.

Emissions can be accounted for as intangible assets (FRS10/IAS 38) and tested for impairment (FRS 11/IAS 36). Reporting can use a cost of settlement approach based on either initial market value or making provision only for the cost of buying emissions rights not covered by allowances. Liabilities that arise as emissions are made are provided for under FRS12/IAS 37.

Compliance and enforcement of existing reporting rules has some way to go for companies, auditors and the Financial Reporting Review Panel.[8] The Panel questioned the adequacy and relevance of principal risks and uncertainties reported by many companies in their Business Reviews during 2009.[9] The Accounting Standards Board has found that almost one-third of reports reviewed did not disclose non-financial KPIs, despite requirements to do so where 'necessary' and 'appropriate'.

Other drivers for environmental reporting

Reporting in Business Reviews could be informed by voluntary reporting frameworks and stock exchange listings rules that are emerging to improve disclosures on environmental and other sustainability issues.

Many voluntary initiatives aim to address the challenge of providing clear, comparable information that is useful for a variety of stakeholders to understand the current and future performance of a business. Topics covered by international guidance and tools that support company reporting on environmental issues include:

1. environmental impacts, costs and liabilities;
2. greenhouse gas emissions.

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1. Environmental impacts, costs and liabilities

- *Accounting and Financial Reporting for Environmental Costs and Liabilities*, the United Nations Conference on Trade and Development (UNCTAD).[10]
- *A Manual for the Preparers and Users of Eco-efficiency Indicators*, UNCTAD.[11]
- Draft Connected Reporting Framework, The Prince of Wales Accounting for Sustainability Project (A4S).[12]
- Global Reporting Initiative (GRI) Reporting Framework (G3).[13]
- Integrated reporting framework, International Integrated Reporting Committee (IIRC) formed by A4S and the GRI.[14]
- Sustainability Framework for incorporating environmental and other sustainability into financial statements, The Professional Accountants in Business Committee of the International Federation of Accountants (IFAC).[15]

2. Greenhouse gas emissions

- *Draft International Standard on Auditing a Greenhouse Gas Statement*. The International Audit and Assurance Standards Board (IAASB)'s GHG Task Force is developing a new *International Standard on Assurance Engagements* (ISAE) addressing professional accountants' responsibilities with respect to GHG Statements.[16]
- *GHG Protocol, Revised Edition (2004),* World Resources Institute and World Business Council for Sustainable Development. A Stakeholder Advisory Group is developing new standards for supply chain and product GHG accounting and reporting.[17]

Carbon reporting

Those exposed to carbon costs should report greenhouse gas emissions and related risks to their businesses in annual reports. This is because policy measures such as cap-and-trade programmes and carbon taxes will increase the financial materiality of carbon dioxide emissions for many companies.

Many large companies with UK operations should already measure their emissions to comply with or prepare for rules to report them to authorities or administrators. For instance, companies included in Climate Change Agreements[18] have to report emissions to sector or trade associations, while organisations under the EU Emission Trading System must report CO_2 emissions to us.

The CRC (see box 1) will require over 3,000 organisations to report emissions from energy use to us from July 2011. Companies that fail to report adequately could face financial penalties and be publicly named. From April 2012 participants will need to purchase allowances for each tonne of energy-related carbon dioxide they emit under the scheme.

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Box 1: Carbon Reduction Commitment (CRC) Energy Efficiency Scheme explained

The UK cap-and-trade programme covers organisations with a settled half-hourly electricity meter that used at least 6,000 MWh during 2008. CRC participants will have to purchase and surrender allowances for each tonne of CO_2 emissions from 'core' energy sources, such as electricity and gas, 2012. The price of allowances will be fixed at £12 per tonne of CO_2 during a four-year introductory phase.

This current structure is likely to change however, following the decision of the Department of Energy and Climate Change (DECC) to seek feedback on simplifying the CRC. Further information can be found on the DECC website.

Greenhouse gases (GHGs) monitored for compliance purposes could be disclosed relatively easily in annual reports to demonstrate that a company is taking account of emissions from its operations and electricity use. Companies can use voluntary guidance issued by Defra in 2009 – *Guidance on how to measure and report your greenhouse gas emissions* – to disclose GHG emissions in Business Reviews.[19]

Like most carbon reporting standards, the guidance is based on the Greenhouse Gas Protocol, an internationally-recognised standard for corporate accounting and reporting of GHG emissions.[20] Companies can convert data such as expenditure on utility bills into carbon dioxide equivalent (CO_2e) using conversion factors, updated by Defra and the Department of Energy and Climate Change in October 2010.[21]

The guidance encourages organisations to publish both GHG emissions data and supporting explanations (see box 2 – *Overview of guidance on measuring and reporting GHG emissions*). It also highlights an increasing organisational trend to ask suppliers for information on GHG emissions. Many larger companies are incorporating environmental criteria into procurement.

Box 2: Overview of DEFRA guidance on measuring and reporting GHG emissions

- Collect information based on a financial control approach to align reporting with financial accounting.
- Calculate emissions on a global basis.
- Measure emissions from the six GHGs covered by the UN Kyoto Protocol: Carbon dioxide, methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6). Report in tonnes of carbon dioxide equivalents (CO_2e).
- Report on direct and energy - indirect emissions.
- Companies may also want to measure other significant indirect emissions. Supply chains may be the largest source of company emissions.
- Provide a summary table of GHG emissions data, with the annual reporting period ideally corresponding to the company's financial year.
- Quoted companies 'will want to consider if they wish to include' emissions data and supporting explanations in their Business Reviews which form part of their annual reports and accounts.

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The government produced the guidance to comply with the UK Climate Change Act 2008, which sets a target for the UK to reduce GHG emissions by at least 80% below 1990 levels by 2050. Emissions must be cut by 715 million tonnes of CO_2e or 34% by 2020.[22]

Under the Act, the government was initially required to evaluate the contribution that reporting on GHG emissions is making to the achievement of climate change objectives by December 2010. A report drawing together the evidence on this was published in November 2010 and can be found on the Defra website.[23]

The next stage is that the government is required to introduce regulations for the mandatory reporting of GHG emissions information under the Companies Act 2006 by **6 April 2012** or explain to Parliament why it has not done so.

Several business groups support the introduction of mandatory public carbon reporting. The Aldersgate Group, a high-level coalition of businesses, environmental groups and individuals, has called for the government to make GHG reporting mandatory for all large UK organisations as soon as possible.[24] The Confederation of British Industry wants requirements for reporting on emissions to be aligned with financial reporting.[25]

Mandatory reporting on greenhouse gas emissions has already been introduced in countries including the United States and Australia where high emitters must report quantities of GHGs emitted to regulatory agencies (see box 3 – mandatory reporting of greenhouse gases in the US).

Box 3: Mandatory reporting of greenhouse gases in the US

The US Environmental Protection Agency (EPA) has introduced GHG reporting rules to improve its understanding of where emissions are coming from. Large sources of greenhouse gas emissions and facilities that annually emit at least 25,000 metric tonnes of GHG emissions must report emissions data at a facility level to the EPA.

Most upstream suppliers of fossil fuels or industrial GHGs, as well as vehicle and engine manufacturers, must report at a corporate level on downstream emissions that would result from combustion or use of the products supplied.

The rule requires reporting of annual emissions of CO_2, CH_4, N_2O, SF_6, HFCs, PFCs, and other fluorinated gases in metric tons of carbon dioxide equivalent (CO_2e). The comprehensive, nation-wide emissions data collected will inform policies and programmes to reduce emissions.[26]

Trucost's analysis of the latest greenhouse gas emissions data for FTSE All-Share companies found that 171 (37%) emit at least 25,000 tonnes of CO_2e directly from their operations.

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International Accounting Standards for emissions rights

The International Accounting Standards Board and Financial Accounting Standards Board are due to release draft guidance on accounting for tradable emissions permits under trading schemes in the second half of 2011.[27] Where emissions trading schemes split the commitment period into annual compliance periods, a site receives allocated allowances at the beginning of each compliance year, and surrenders allowances at the end of each compliance year for emissions in that year.

Liabilities and contingent liabilities currently only have to be reported for past events. Issues surrounding accounting for the right to receive allowances in a cap-and-trade scheme *before* the related allowances have been issued are yet to be resolved. The standard-setters are still considering issues including whether emissions allowances should be treated as assets and measured as liabilities. An International Financial Reporting Standard (IFRS) is due to be published during 2012. Meanwhile, companies can use existing accounting standards to report environmental issues.

Stock exchange disclosure rules and dual listings

The UK Listing Authority currently has no plans to introduce environmental reporting rules beyond the requirements for Business Reviews under the EU Accounts Modernisation Directive. However, the FTSE4Good Index is among several sustainability indices that include criteria for companies to report on environmental issues.[28] Mandatory rules and guidance that require companies to report on environmental performance outside of the UK create a further driver for disclosure.

Companies that are also listed in the stock markets of countries will have to comply with local listing requirements for financial reporting to include sustainability issues. Several stock exchanges are strengthening sustainability reporting guidelines or rules (see Box 4 - Listing rules can help drive sustainability reporting). For instance, FTSE All-Share companies which are also listed in the United States are obliged to make filings to the Securities and Exchange Commission (SEC). The SEC has introduced rules that require public companies to disclose material environmental costs and liabilities - information is material 'if there is a substantial likelihood that a reasonable investor would consider it important in deciding how to vote or make an investment decision'.[29]

Box 4: Listing rules can help drive sustainability reporting

- The Johannesburg Stock Exchange requires all listed companies to integrate sustainability disclosures in financial reporting to comply with the King Code III for financial years starting on or after 1 March 2010.[30] Reporting should consider the G3 guidelines developed under the GRI.
- The Singapore Exchange is consulting on voluntary guidance for sustainability reporting, which will eventually become rules.[31]
- Bursa Malaysia requires listed companies to disclose their corporate social responsibility activities.[32]
- Polluting companies listed on the Shanghai Stock Exchange must disclose environmental information.[33] The China Securities Regulatory Commission and Ministry of Environmental Protection have created a 'Green Securities Policy' which requires highly polluting industries to obtain environmental evaluations before listing on the stock exchange, supporting greater environmental information disclosure.[34]
- The Australian Securities Exchange recommends in corporate governance guidelines that companies establish codes of conduct that could include environmental protection policies, and disclose policies on material business risks that could include environmental risks.[35] Reporting against the principles is applied on a 'comply or explain' basis.
- The Hong Kong Stock Exchange plans to develop a corporate social responsibility code for all listed companies.[36]

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The SEC issued related guidance on climate change risk in February 2010 to help companies identify areas of risk that they may be required to report on. Climate change-related topics to consider include:

- **International accords**. Impacts of treaties or international agreements.
- **Impacts of legislation and regulation**. Potentially material risks from existing or pending rules, such as allowance costs, costs of improving assets to comply with emissions limits and changes in profit or loss due to changes in demand for goods and services.
- **Indirect consequences of regulation or business trends**. Legal, technological, political and scientific developments that create new opportunities or risks, such as decreased demand for goods that produce significant GHG emissions. Business trends or risks may be required to be

disclosed as risk factors or in Management's Discussion and Analysis of Financial Condition and Results of Operations (MDandA).

- **Physical impacts of climate change.** Effects such as severe weather, sea levels and water availability and quality that have the potential to affect operations and results.

If a company has to measure and disclose environmental impacts, such as GHG emissions, for a listing requirement in one country, then it could include this information in its statutory annual report and accounts to make it available to the wider investor and stakeholder community.

Investor pressure to strengthen environmental disclosure

The SEC guidance on climate risk disclosure was issued in response to lobbying by major institutional investors and significant investor groups such as the Investor Network on Climate Risk.

Institutional investors are increasingly using public policy dialogue and exercising active ownership rights through proxy voting and engagement to encourage better environmental reporting. For instance, UK charity FairPensions co-ordinated two shareholder resolutions asking BP and Shell to publish details of environmental, social and financial risks from tar sands projects in the spring of 2010. Over 10% of the total shareholders either supported the resolution or abstained from voting, sending a strong signal to management.[37]

The rise in active ownership on environmental issues reflects commitments by more than 650 institutions representing over US$20 trillion in assets that have agreed to ‘seek appropriate disclosure on environmental, social and governance (ESG) issues by the entities in which they invest’, as investor signatories to the UN Principles for Responsible Investment (UN PRI). PRI signatories include Aviva Investors, which has voted at annual general meetings (AGMs) to encourage more corporate responsibility reporting since 2001 (see Box 5).

The UN PRI is running a Sustainable Stock Exchanges Campaign which explores how exchanges can collaborate with investors, regulators and companies to enhance corporate transparency on ESG issues. A growing number of stock exchanges are signing up to the principles, including the Johannesburg Stock Exchange (JSE). The JSE has created a socially responsible investment index that includes criteria for high-impact listed companies to report on environmental indicators, as does the FTSE4Good Index Series.

Investors themselves are under pressure to improve transparency on how they address environmental issues relating to their investments. FairPensions has called for the UK government to introduce stronger reporting standards so that investors have to explain how they implement Statements of Investment Principles, which often include statements on environmental, social and governance issues.

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Box 5: Aviva uses ownership rights to push for greater transparency

Aviva Investors, which has £250 billion of funds under management, votes against the annual reports and accounts of companies that have declined to publish material information on their performance in this area.

As part of the PRI's Sustainable Stock Exchanges Campaign, Aviva has also focused on stock market listing codes due to their influence over how large numbers of companies govern themselves and their potential to make capital markets more sustainable. Aviva Chief Executive, Alain Dromer, has called on the listing authorities of global stock markets to consider whether corporate governance codes should promote corporate responsibility reporting. He has urged them to require companies to consider how responsible and sustainable their business models are, and to put forward-looking sustainability strategies to the vote at their AGMs.

Aviva is among eight organisations, including the Environment Agency, participating in the Connected Reporting Framework[38] to explore how sustainability reporting practices relate to decision-making and performance.

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The International Accounting Standards Board identified investors as a target audience for financial information in January 2010. As such, investors are to have a greater say in the development of International Financial Reporting Standards.[39] The Federation of European Accountants is calling for an ESG reporting framework that meets the needs of companies and investors.[40] Collaborative investor initiatives including the UN PRI and Carbon Disclosure Project, which collects corporate information on climate change, are strengthening the influence of long-term institutional investors on company environmental reporting. Groups including the Institutional Investors Group on Climate Change have released sector-based carbon disclosure frameworks for the oil and gas, electric utilities and automotive sectors to encourage more transparency on information useful to investors.[41]

In order to develop a globally accepted framework to report financial, environmental, social and governance information in an integrated and consistent way, the Prince's Accounting for Sustainability Project (A4S) and the Global Reporting Initiative (GRI) have formed the International Integrated Reporting Committee (IIRC). The IIRC aims to provide an international format for integrating concise and comparable environmental, social and governance information into business accounting and reporting. The intention is to provide readers of annual report and accounts with a more comprehensive and clearer picture of an organisation's overall performance, with both retrospective and forward-looking information.

Reporting in practice

This section looks at the main subjects that companies reported on and trends in company disclosures. We assess changes in reporting since 2004, focusing on environmental risk, energy and climate change, water and waste. Case studies highlight good practice.

Methodology

This report assesses the level of environmental reporting by companies listed in the FTSE All-Share Index. It looks at the number of times that specific environment-related keywords were used in annual reports and accounts, as well as levels of quantitative disclosure of three environmental key performance indicators (KPIs) that are relevant to most businesses. These are greenhouse gas emissions, water use and abstraction and waste. The report reveals the extent to which companies are discussing environmental regulations that might have financial implications, such as the EU Emissions Trading System and the Carbon Reduction Commitment Energy Efficiency Scheme. It also looks at other requirements for company directors to report on environmental matters in their annual reports and accounts.

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Project scope

This study began at the end of May 2010, when there were 629 companies in the FTSE All-Share. 171 Investment Trusts were excluded from this total because they are unlikely to have large direct environmental impacts and analysing the companies that they own would involve an element of double counting. This is because listed investment companies could have holdings in FTSE All-Share companies that are already analysed in this report. With this in mind, we analysed the remaining 458 companies' statutory annual reports and accounts.

We reviewed reports by 118 companies for financial years ending between January and April 2010, covering the financial year 2009-10. Where these reports were not available at the time of analysis in August 2010, and for 329 companies whose financial years end between May and December, we examined reports for 2008-2009. Of these, 234 companies had a financial year from January to December 2009. The main focus of this analysis is therefore 2009. Findings for 2009-2010 cover all reports analysed. We noted whether companies included Business Reviews or Operating and Financial Reviews (OFRs) in their annual reports. We also looked at the levels of quantitative disclosure for the KPIs outlined in Defra's environmental reporting guidelines for business.[42]

Table 2: Annual reports and accounts – period of analysis for 2009-10 Environmental Disclosures report

Financial reporting year analysed	Financial year end	Number of companies analysed
2008-2009	January-April	11[43]
2008-2009	May-December	329
2009-2010	January-April	118
Total reports analysed		**458**

When we refer to figures for 2006 in this report, these are based on our previous analysis of reports for financial years ending during 2006.[44] Figures for 2004 are based on reports and accounts for financial years ending between 1 October 2002 and 30 September 2003.[45]

Since our 2007 Environmental disclosures report, 79 fewer companies were included in the FTSE All-Share Index (see Table 1, p7) because 149 companies have delisted and there were only 71 new listings. Significantly, a high proportion of companies which delisted were in the utilities, health care, oil and gas and financials sectors. Companies in high-impact sectors are more likely to report environmental matters, since they can be relatively material. Many of the 69 companies new to the Index were in the oil and gas and basic materials sectors.

Index constituents are reviewed quarterly and regularly change for a variety of reasons, including whether companies continue to meet financial thresholds such as market capitalisation size and liquidity. Market turbulence may have contributed to changes in the Index since 2007, for instance, by limiting the number of new additions as companies refrain from going public. Companies also delist due to changes such as mergers and acquisitions, demergers, transfers to other indices and listing cancellations as firms go private. For instance, the 2007 analysis looked at environmental reporting by Abbot Group Plc, which delisted from the Index following its acquisition by Turbo Alpha Ltd in March 2008. Similarly, Burren Energy, which previously disclosed data on greenhouse gas emissions, water and waste in line with government guidelines, was acquired by Eni UK Holding Plc in 2008 and is no longer listed in the FTSE All-Share. The changes in the Index constituents since the previous study are reflected in the results of our analysis.

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Environmental topics discussed

99% of companies discussed an environment-related topic in their annual report and accounts, a marginal one percentage point increase from 2006. As well as tracking general references, we have grouped the keywords that we searched for into relevant categories based on the topic discussed. Table 3 lists these categories and the percentage of companies referring to them.

Table 3: Environmental topics discussed by companies

Environmental topics	2004 (%)	2006 (%)	2009-2010 (%)
Pollution	32	56	79
Compliance	18	41	55
Climate change	24	48	62
Biodiversity/Land use	24	35	57
EMS	30	33	61
Energy	28	48	57
Environmental procurement	10	23	33
Remediation	12	31	34
Sustainability/CSR	26	57	45
Waste management	76	82	89
Environmental risk management	7	18	18
Environmental target	32	34	40
Environmental Impact Assessment	3	5	8
Product	2	9	6
Other environmental impacts	15	19	19
Provisions and liabilities	7	8	9
Environmental incident	1	7	3
Acid rain	0	3	2
Environmental tax	0	0	1
External audit	6	6	6
License to operate	2	6	1
Environmental policy	38	37	38
Water	29	43	24
Contaminated land	10	13	2

Many more companies reported on pollution (up from 56% in 2006 to 79% in 2009-2010). More companies are discussing environmental impacts. A search for keywords such as ‘landfill’, ‘hazardous’ and ‘incineration’ showed that waste management featured most frequently in annual reports again in 2009-2010. Climate change was the next most discussed environmental impact, followed by energy and biodiversity/land use. Between 2006 and 2009-2010, the increase in companies discussing environmental impacts was greatest for biodiversity/land use and climate change, followed by energy and waste management.

Reporting on environmental incidents such as accidents and spillages tripled but only increased from 1% in 2004 to 3% in 2009-2010. Accidents and spills could affect the success of several companies. The relevance of environmental risks to investors was highlighted by BP’s oil spill in the Gulf of Mexico from April until August 2010. The firm has since seen its capital value fall sharply, lost almost

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US$41 billion (£25 billion),[46] and temporarily suspended dividend payments. BP typically accounts for around 8% of UK equity holdings in pension funds, and 15 of its directors face claims from US pension funds for their role in the oil spill.[47] The Norwegian government Pension Fund Global lost more than €1 billion (£824 million) on its 1.75% stake in BP.[48]

The biggest increase in reporting between 2006 and 2009-2010 was for references and discussion of environmental management systems (EMS), up from 33% to 61%. The increase in levels of discussion of EMSs may reflect wider implementation of structured frameworks for managing environmental impacts and improving environmental performance. Organisations can implement certified EMSs to help achieve objectives set out in environmental policies, such as compliance with environmental regulations.[49,50] While many organisations may refer to environmental policies and objectives in sections of their website or in separate reports, relatively few appear to include them in their annual report and accounts. The latest annual reports show a marginal increase in the proportion of companies that discuss environmental policies, up from 37% in 2006 to 38% in 2009-2010.

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Only 45% of companies discussed sustainability or corporate social responsibility, down from 57% in 2006. In contrast, references to environmental procurement rose steadily from 10% in 2004 to 33% in 2009-2010. This suggests that companies are becoming increasingly aware of both the risks and opportunities that the indirect environmental impacts of their supply chains represent.[51] Growing pressure for firms to improve efficiency in their value chains and protect security of supply has moved resource scarcity up the business agenda.[52] We work in partnership with industry to promote improvements in resource efficiency.[53]

18% of companies discussed environmental risk management in both 2006 and 2009-2010. Risk management can include procedures to identify the potential for an organisation to cause environmental damage. It can also include controls to manage the risk of breaching pollution controls such as emissions standards. The percentage of companies reporting on compliance has increased from 41% in 2006 to 55% in 2009-10.

Emissions trading

Many of the FTSE All-Share companies discuss environmental legislation that affects or might affect their financial performance, although references to environmental legislation often lack detail. For instance, some companies refer to the CRC Energy Efficiency Scheme (CRC), but do not provide information on how it could affect their businesses.

The CRC, which covers most sectors, was discussed by 99 companies (22%). The majority of these companies are in the industrial (36) and financial (23) industries.

For instance, **Premier Farnell** reports that it will have to purchase carbon allowances under the CRC. The company provides general information on how ready it is for the scheme rather than expectations of projected allowance costs at £12 per tonne of CO_2.

Extract: Premier Farnell 2010

The Carbon Reduction Commitment: Energy Efficiency Scheme

Our UK operations will be regulated under the CRC Energy Efficiency scheme from 2010 onwards. This legislation requires that organisations monitor and report on their energy usage and take actions to reduce their consumption. This scheme will result in the business being required to purchase a number of carbon allowances on an annual basis to account for those emissions for which we are responsible. The ongoing work that we have put into reducing our global carbon emissions has prepared us well for the initial phase of this scheme.

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Electrocomponents Plc provides more detail on its emission reductions to prepare for the CRC, and discloses CO_2 emissions from energy use in buildings. However, the data is global rather than UK-specific. Whilst it is positive to see emission figures published, a further geographical breakdown would be useful to assess potential allowance costs. Measuring and reporting total direct and indirect emissions in line with UK government guidance would help identify carbon 'hotspots' and provide more comparable data on carbon impacts.

Extract: Electrocomponents Plc 2010

In future, our UK business will be covered by the Carbon Reduction Commitment ('CRC') Energy Efficiency scheme. This scheme will require us to monitor and report energy usage and the related emissions on an annual basis. We will be required to purchase a number of carbon allowances to account for the emissions for which we are responsible.

Preparations for the implementation of the CRC scheme are well advanced, with the UK business achieving the Carbon Trust Standard following an independent audit confirming the year on year reduction of carbon emissions.

Emissions KPIs	Total emissions (Tonnes CO_2)		Tonnes CO_2 per £m turnover	
	2009	2008	**2009**	2008
CO_2 due to premises energy use [(1)(2)]	**20,181**	21,094	**21.6**	19.7

(1) CO_2 equivalent from all energy sources, including country specific CO_2 factors for electricity

(2) Excludes a number of smaller facilities where utilities are included in lease costs

Companies in the aluminium, cement, food and drink, glass, iron and steel and refineries sectors can incur costs for carbon dioxide emissions under the EU ETS. Over 900 UK installations must surrender an allowance for each tonne of CO_2 emitted during the system's second phase from 2008-2012. Approximately 7% of over 220 million EU allowances may be sold rather than freely allocated to companies.

Just 11 (2%) companies referred to the EU ETS or carbon allowances in their latest annual reports, the same as in 2006-2007. This is despite an increase in the cost of allowances since 2008, when tighter emissions caps were introduced.

Utilities firm **Scottish & Southern** reported quite comprehensively on its obligations under the EU ETS in its 2010 annual report. It disclosed the value of carbon costs incurred under Intangible Assets, Allowances and Certificates – which consist of purchased carbon emissions allowances and generated or purchased Renewable Obligation Certificates (ROCs). The company provides figures on emissions and allowance requirements. However, it could disclose the actual cost of these allowances more clearly by separating the costs of allowances and ROCs. It provides information on the need to purchase allowances for all of its emissions from 2013. However, a lack of estimated potential liabilities for future emissions highlights a gap between reporting standards and stakeholder interest in potentially material risks (see extract below).

Other legislation

Many companies that import, rebrand and manufacture electrical or electronic equipment must comply with product disposal rules under the Waste Electrical and Electronic Equipment (WEEE) Directive introduced in 2007. This applies the 'polluter pays' principle to ensure producers take responsibility for some of the waste management costs of their products. 5% of companies discussed WEEE, including 2% in the technology and consumer services sectors.

4% mentioned the Registration, Evaluation and Authorisation of Chemicals (REACH) Regulation. Manufacturers or importers of large quantities of chemicals had to register substances with the European Chemicals Agency by 1 December 2010.[54]

Just 3% of companies mentioned the Integrated Pollution Control (IPC) or Integrated Pollution Prevention and Control (IPPC) regimes, or the new Industrial Emissions Directive (IED). The IED, to replace the IPPC Directive and six related laws, will set stricter limits on emissions of sulphur dioxide and nitrogen oxide for large combustion plants from 2016. The Directive aims to increase use of best available techniques to optimise environmental performance. Two of the nine utility companies examined mentioned the IED – International Power Plc and Scottish & Southern Energy Plc.

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Contaminated land

Other environmental risks companies face include costs from the clean-up of polluted sites and remediation of contaminated land. However, only 2% discussed contaminated land, down from 13% in 2006, and 34% discussed remediation, up from 31% in 2006. This might reflect a decline in brownfield development due to the economic downturn in 2008-2009.[55]

Extract: Scottish & Southern 2010

10. Intangible assets

Consolidated	Goodwill £m	Allowances and certificates (i) £m
Cost:		
At 1 April 2008	659.0	145.3
Prior year acquisitions	1.2	-
Additions	-	318.0
Acquisitions	22.0	-
Transfer property, plant and equipment (note 11)	-	-
Disposals	(17.4)	(243.0)
Exchange adjustments	59.9	-
At 31 March 2009	724.0	220.3
Additions	-	470.9
Acquisitions (note 15)	18.5	-
Transfer of property, plant and equipment (note 11)	-	-
Disposals	-	(461.5)
Exchange adjustments	(16.2)	-
At 31 March 2010	**726.3**	**229.7**

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EU Emissions Trading Scheme
Phase II of the EU Emissions Trading Scheme (EU ETS) began on 1 January 2008. Across its electricity generation portfolio (taking account of contractual shares), SSE now has an allocation of 18.9 million tonnes of carbon dioxide emissions allowances per calendar year, including the allowances for Marchwood and Uskmouth. Its emissions allowances requirement for 2009/10, beyond those allocated under EU ETS, was 4.9 million tonnes. This compares with 2.5 million tonnes in the previous year. During 2009/10, the price of allowances ranged from around €11.50 to around €15.50 per tonne. From 2013, all of the carbon dioxide emissions allowances for electricity producers will be auctioned.

(iii) **Allowances and emissions**
The European Emissions trading scheme (EU ETS) has been in operation since 1 January 2005. The IASB withdrew IFRIC 3 *Emission Rights* in June 2005 and it has not been replaced with definitive guidance or interpretation for CO_2 (‘carbon’) emissions trading.

The Group recognises carbon allowances granted in a period at nominal value (nil value). Carbon allowances purchased are recorded at cost within intangible assets. A liability is recognised when the level of emissions in any compliance period exceed the level of allowances held and this is recorded as a current liability. Up to the level of allowances held the liability is measured at the cost of purchased allowances. When the carbon emission liability exceeds the carbon allowances held, the net liability is measured at the anticipated settlement price. Movements in the market value of the liability are recognised in operating profit. Forward carbon contracts are measured at fair value with gains or losses arising on remeasurement being recognised in the income statement. The intangible asset is surrendered at the end of the compliance period reflecting the consumption of the economic benefit and is derecognised at its carrying value. As a result, no amortisation is booked but an impairment charge may be recognised should the carrying value exceed market value. Where allowances granted are used to settle a liability relating to a previous period, a creditor balance is recorded for the increased liability in the current period.

License to operate

Failure to comply with environmental legislation can result in business continuity risks. Companies risk losing their licence to operate in the UK and elsewhere if they breach environmental permitting conditions. These define required results, or levels of environmental protection. Between 2006 and 2009-2010, the percentage of companies discussing their licence to operate fell from 6% to 1%.

Fines

Companies also face financial penalties or litigation if they do not comply with permit conditions. Environmental fines in the UK in 2008 were highest (more than £1 million in total) for companies that caused or knowingly allowed polluting material to damage the environment, or deposited controlled waste on unlicensed land. Defra's reporting guidelines recommend that businesses that have incurred fines report on the number of prosecutions and the size of the fines and associated costs for each financial year. 18% of companies mentioned fines and/or penalties in their 2009-2010 annual reports.

Environmental taxes

Environmental taxes, such as carbon tax, were reported by 1% of companies.

Environmental spend

Environmental expenditure should be classified in annual reports as types of costs, including accumulated liabilities, provisions and environment-related capital expenditure. Provisions and liabilities such as environmental expenditure were only reported on by 9% of companies.

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Reporting on impacts

Climate change and energy use

For the majority of companies the most significant greenhouse gas (GHG) they emit will be carbon dioxide from the energy they use. Measuring and reporting energy use and carbon dioxide is a starting point for companies to reduce emissions, manage exposure to escalating energy and carbon costs and position their businesses for the shift towards an energy-efficient, low-carbon economy.

62% of companies referred to climate change in 2009-2010, up from 24% in 2004. This could reflect growing awareness of climate-related business risks and opportunities. An increase in the number of companies discussing energy (up from 28% to 57%) may reflect concern about more imminent risks from volatile energy prices and energy security.

Between 2006 and 2009-2010, the technology sector had the greatest increase in discussion of climate change (up from 14% to 38%). This may reflect the industry's growing awareness of opportunities to be gained from helping companies and consumers to reduce their GHG emissions through more efficient energy use and carbon-efficient equipment. Since 2004, references to energy increased most among health care companies (up from 8% to 40%).

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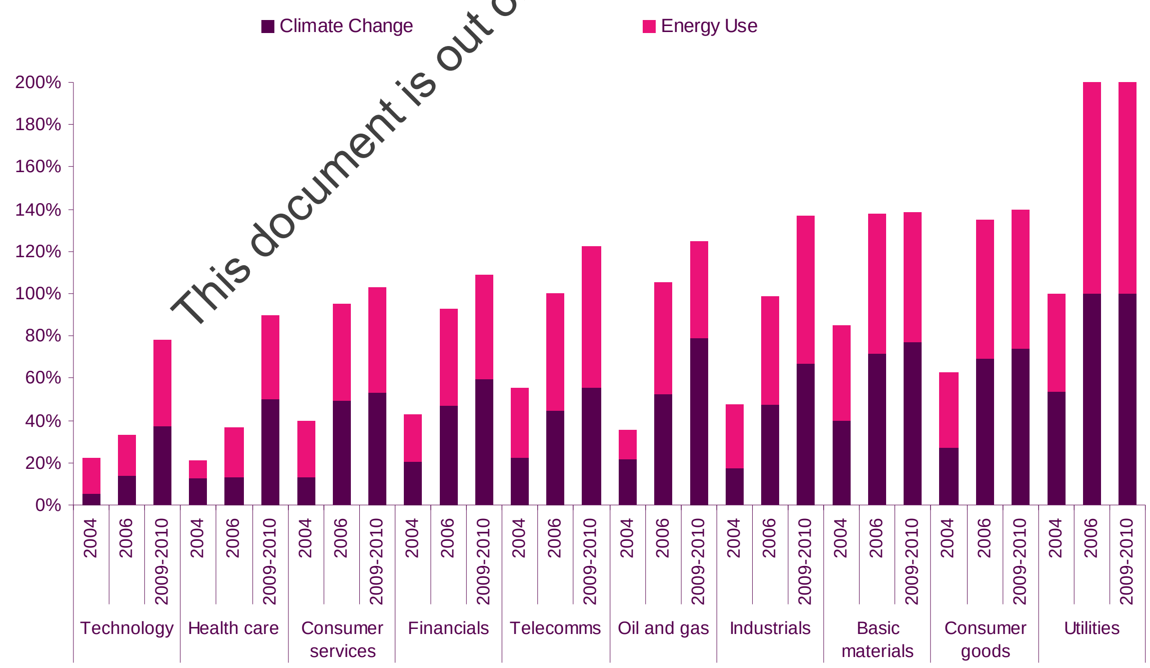
Figure 1: Percentage of companies by sector reporting on climate change and energy use



Apart from the energy and the carbon-intensive utilities sector, industrials are now most likely to discuss energy use, while basic materials, oil and gas and consumer goods companies are most likely to mention climate change. This reflects both risks and opportunities relating to energy efficiency and GHG emissions in these industries.

Companies are advised to report amounts of direct energy used in buildings and vehicles, as well as indirect energy used through electricity purchases. The government's carbon reporting guidelines recommend that all organisations publicly report their total annual GHG emissions in tonnes of carbon dioxide equivalent (CO_2e) emissions broken down by source before showing any emission reduction activities such as carbon offsetting or green tariffs that meet the 'good quality' criteria. Emissions should also be reported for the base year, when GHGs were first measured, to help track changes.

We look at examples of reporting by three companies in the industrials sector.

Chemring Group Plc reports well by providing annual figures for emissions from different energy sources in a corporate responsibility review section in its 2009-2010 annual report. Disclosing quantities of energy used and breaking down emissions by scope to differentiate between GHGs for which it is directly and indirectly responsible would make it easier to compare its energy use and carbon performance with other companies.

DS Smith Plc clearly discloses energy consumption as well as GHG emissions by source. A breakdown of energy generated in-house and purchased from external providers would have been useful. The company discusses measures to manage exposure to volatile energy costs and reports spend on energy.

SIG Plc reports comprehensively on its GHG emissions in line with government guidelines. In a corporate responsibility section of its annual report, the company outlines sources of direct and indirect emissions in 2009-2010, including emissions from business travel. Historical figures would have been useful to monitor changes in performance.

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Extract: Chemring Group Plc 2009

Energy and emissions

During 2008 we collected detailed data on travel within the Group, which revealed that this activity represented less than 3% of our overall carbon footprint from energy utilisation. Energy utilisation is therefore now our main focus of attention.

Our total emissions during the year, excluding those of businesses acquired during the year, in carbon dioxide equivalents were as follows:

Source	**2009 (tonnes CO_2)**	2008* (tonnes CO_2)	2007 (tonnes CO_2)
Electricity	**36,334**	29,128	21,556
Gas	**12,512**	12,384	11,931
Oil	**2,008**	2,351	2,878
Total	**50,854**	43,863	36,365

(Note: We do not include emissions from our supply chain nor use or disposal of our products in these calculations.)

*restated

The Group's total emissions increased by 16% during the year, against an increase in revenue (excluding current year acquisitions) of 29%, which means that our overall carbon intensity reduced during the year as follows:

	2009	2008*	2007
Total emissions (tonnes CO_2)	**50,854**	43,863	36,365
Group revenue (£million) – continuing operations	**458.2**	354.2	254.7
Tonnes of CO_2 per £million of revenue	**111.0**	123.8	142.8

We are increasing our efforts to address energy conservation and thus indirect emissions in the future, and a detailed study on renewable energy options was undertaken during the year. All UK sites have had independent energy audits, and all of our businesses have emissions reduction programmes in place. We have also adopted a greenhouse gas emissions policy, which allocates responsibilities for reducing our direct and indirect emissions, and sets out our objectives in this area.

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Extract: DS Smith Plc 2009

Environmental Performance Indicators

	2008/09	2007/08
Energy consumption		
Gigawatt hours	**3,247**	3,606
Megawatt hours/£'000 revenue	**1.54**	1.73
Carbon dioxide (CO_2) emissions		
Scope 1 (direct) emissions – '000 tonnes	**274**	318
Scope 2 (indirect) emissions – '000 tonnes	**653**	689
Total Scopes 1 and 2 emissions – '000 tonnes	**927**	1,007
Kilograms/£'000 revenue	**440**	484

ENERGY COSTS
The high level of energy costs continued to be a significant factor for the Group in 2009/10. The Group's total costs for gas, electricity and diesel fuel fell from circa £114 million in 2008/09 to circa £109 million in 2009/10. The Group continued with its strategy of hedging energy costs with suppliers and financial institutions, the purpose of which is to reduce the volatility of energy costs and provide the Group with a degree of certainty over future energy costs.

VOLATILE AND INCREASING ENERGY PRICES
The Group's exposure to energy costs is described on page 30 and is being managed in a number of ways. The Group is looking to maximise inhouse energy generation from its combined heat and power (CHP) plants in the UK and France, thereby taking advantage of the greater efficiency of the CHP process. It is also investigating the potential for the use of renewable or low-carbon energy sources, including refuse-derived fuel. The Group continues to undertake a wide range of energy-saving projects aimed at increasing its energy efficiency and reducing its energy usage. In 2009/10, the Group increased its own energy usage by 0.5% compared with 2008/09, but its purchases from external providers fell, such that overall energy usage was down.

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Extract: SIG Plc 2009

CO_2 Emissions – Scope 1 - Direct

Source	Definition	Data source and calculation methods	Metric tonnes (Group) 2009
Road vehicle fuel	Emission from vehicle use	Fuel cards and direct purchase records in litres converted according to Defra guidelines	82,675
Plant vehicle fuel	Emission from vehicle use	Direct purchase records in litres converted according to Defra guidelines	1,973
Natural gas	Directly purchased gas, which generates greenhouse gases including CO_2 emissions	Actual or estimated consumption in kWh converted according to Defra guidelines	4,481
Gas oil	Directly purchased gas oil, which generates greenhouse gases including CO_2 emissions	Actual or estimated consumption in litres converted according to Defra guidelines	4,158
Coal/coke	Directly purchased coal/coke, which generates greenhouse gases including CO_2 emissions	Actual or estimated consumption in tonnes converted according to Defra guidelines	55
Kerosene	Directly purchased Kerosene, which generates greenhouse gases including CO_2 emissions	Actual or estimated consumption in litres converted according to Defra guidelines	38
Total			**93,380**

The data relating to CO_2 emissions has been collected from all of the Group's operations; with the exception on the Air Trade Centre business.

The above table does not include CO_2 emission data relating to the wood burning (generation of heat) at the Crawley, Nottingham and Barnstaple operations as these operations are deemed to be carbon neutral.

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Environmental Management – Carbon (CO_2) emissions

CO_2 Emissions – Scope 2 - Indirect

Source	Definition	Data Source and calculation methods	Metric tonnes (Group) 2009
Electricity	Directly purchased electricity, which generates greenhouse gases including CO_2 emissions	Actual or estimate consumption in kWh converted according to Defra guidelines	28,438
Total			**28,438**

The data above comprises of CO2 emission data captured from businesses representing circa. 98% of Group revenue for the year ended 31 December 2009.

CO_2 Emissions – Scope 3 –Other indirect

Source	Definition	Data source and calculation methods	Metric tonnes (Group) 2009
Business travel	Third-party provided transport (air and rail)	Actual or estimated distance travelled converted according to Defra guidelines	244
Total			**244**

The data relating to Business travel has been collected from all of the Group's operations; with the exception of Air Trade Centre businesses

Emissions per £m of revenue (Scope 1, 2 and 3)	45.5 metric tonnes

Water use and abstraction

Concerns about water scarcity and quality are affecting water pricing around the world. Stronger price signals to water users aim to apply the principle that companies should pay for environmental damage or resource depletion. They also create an incentive for firms to use limited resources more sustainably.[56] Water scarcity and impacts are largely localised, yet information on the business implications of water use in different international and national regions is scarce in company reporting. It is important for industry to monitor and plan their water needs in relation to local water availability, water quality, and competition for resources and industrial growth.[57]

Most businesses could reduce their use of limited water supplies abstracted directly from sources or supplied by water companies. Using water more efficiently could help companies reduce exposure to rising water costs and be better prepared to adapt to climate change impacts such as greater water scarcity as well as reducing pressure on the environment. The water industry is among the highest energy users, and[58] reducing water use could also contribute to lowering GHG emissions from supply chains.

24% of companies discussed water in 2009-2010, down from 43% in 2006. This decline is partly due to changes in index constituents. Thirty-nine companies that are no longer in the FTSE All-Share discussed water in 2006. Discussion of water has decreased in the financials, consumer goods and health care industries.

Only the technology and utilities sectors have shown an increase in the percentage of companies discussing water since 2006. To put this into context, less than 20% of technology companies discussed water in 2009-2010, compared with almost 90% of utilities (see Figure 2). The next highest level of references to water (62%) was among companies in the basic materials industry, which includes the chemicals, forestry and paper, industrial metals and mining sectors.

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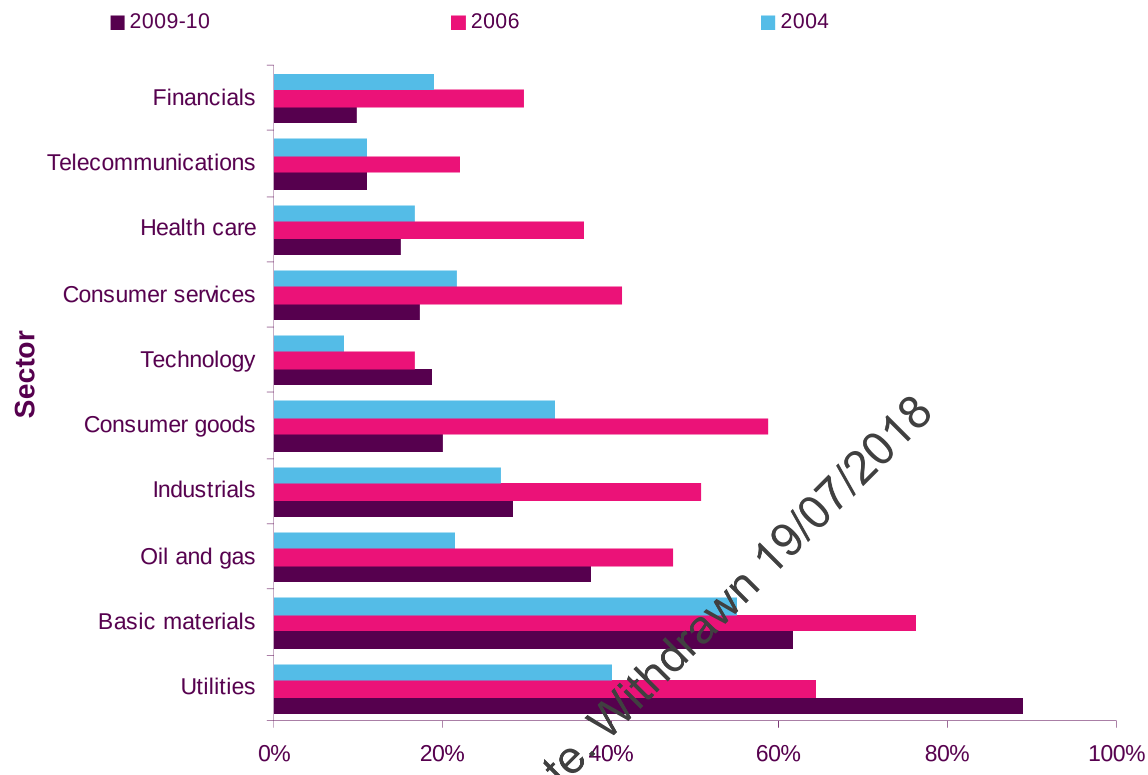
Figure 2: Percentage of companies by sector reporting on water



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Mining companies need water to extract materials. We assessed reporting on water by two basic materials companies and a financial company.

Rio Tinto clearly discloses quantities of freshwater withdrawn and used, and freshwater withdrawn but discharged without use - through mining activities. Although direct water use may be greater than indirect water consumption, reporting would be improved if the company also disclosed volumes of water supplied. Rio Tinto report that eight out of 12 high or critical environmental incidents in 2009 were from water discharge, for example, the release of untreated water from a plant to a lake in Canada, demonstrating that water management is clearly an issue they take seriously.

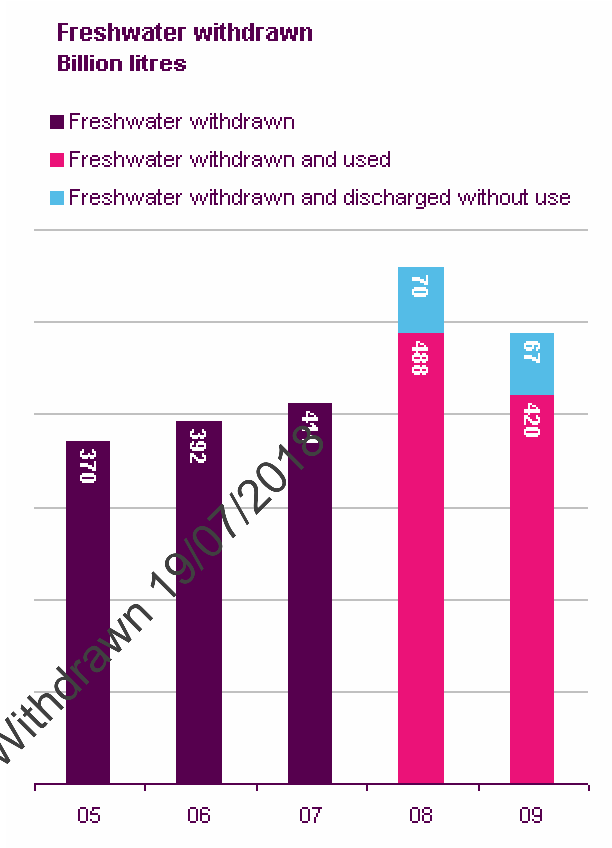
Anglo American discloses quantities of water consumed and clearly indicates the impact of corporate acquisitions and disposals. A breakdown of water use on a geographical basis, both national and regional, would be useful to identify related risks, as well as opportunities to improve water management.

Insurance group **Aviva** reported water use in the corporate responsibility section of its annual report. It clearly discloses year-on-year water consumption and costs, which increased despite a decline in water use. Water costs are treated as direct company impacts, but are likely to be incurred through water purchased from suppliers. More clarity would be useful to identify if the sources of water consumption – direct or indirect.

Extract: Rio Tinto 2009

Water

Our water strategy provides a framework for addressing water related business risk and improving performance, and we focus on ways to minimise the amount of water we remove from the environment, reuse it whenever we can, and return it to the environment meeting regulatory limits. Following the increase arising from the inclusion of water withdrawal data for the former Alcan operations in 2008, our freshwater withdrawal decreased by six per cent to 487 billion litres in 2009, with lower water demand at a number of operations where production was reduced. We set a new Group water target to reduce our freshwater use per tonne of product by six per cent by 2013 from a 2008 baseline. Freshwater use excludes water that is extracted for ground control and discharged without use in our processes. In 2009 we increased our freshwater use per tonne of product by four per cent. Although total freshwater use did decrease this year, the scale efficiencies achieved with high production rates in 2008 were not maintained as water use is not directly related to production rates at all operations. Internal local recycling and ecological targets support the Group water target.



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Extract: Anglo American 2009

Water consumption

In 2009, Anglo American consumed 125.3 million cubic metres (m^3) of water for primary activities. While this represents a relatively small year-on-year increase (2008: 122.7[3] million m^3), it includes Brazilian iron ore operations that have begun reporting for the first time since acquisition, as well as an additional 5.7 million m^3 of harvested rainfall that Anglo Platinum had not previously reported in its consumption figures. On a like-for-like basis, Anglo American achieved a 6% water saving between 2008 and 2009.

Although the Group's overall water use has remained largely unchanged despite acquisitions, Anglo American aims to improve its performance through the continued implementation of its WaterWays programme.

The WaterWays programme has provided the Group with a water vision and framework that outlines Anglo American's approach to managing water.

These are supported by a water performance standard, which was formally launched in 2009 as part of the global Anglo Environment Way roll-out. A common set of water reporting definitions has been implemented, and understanding water balances, have been developed.

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Extract: Aviva Plc 2009

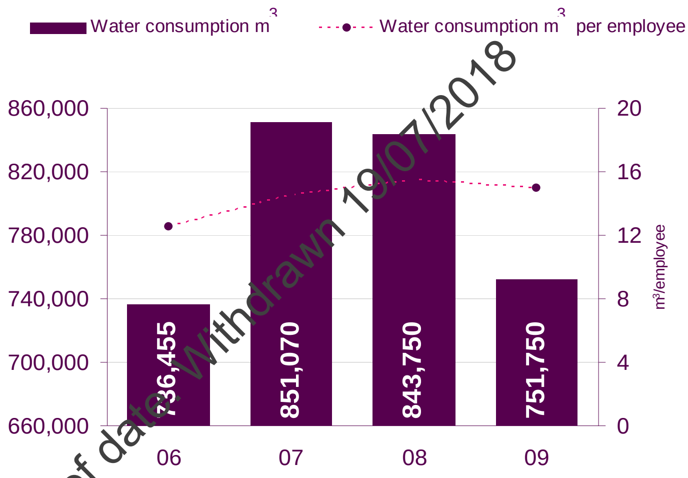
Key indicators Met/exceeded 2009 target ✓ Missed 2009 target ✗

CR indicator	2007	2008	2009	2009 target	Change over year		2010 target
CO_2 emissions (tonnes) – based on 2009 ownership	n/a	110,051	104,351	Reduce CO_2 emissions by 5%	(5)%	✓	Reduce CO_2 emissions by 5%
Water consumption (m3) – absolute	851,070*	843,750*	751,750	Reduce water use by 4%	(11)%	✓	Reduce water use by 4%

Environmental Incidents
During 2009 there were no environmental incidents as a result of our operations (2008: none)

Resource usage
Direct company impacts
Water
The operating cost of water usage was £1.3 million in 2009 (2008: £944,000).

Aviva's water consumption 000m^3



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Waste management

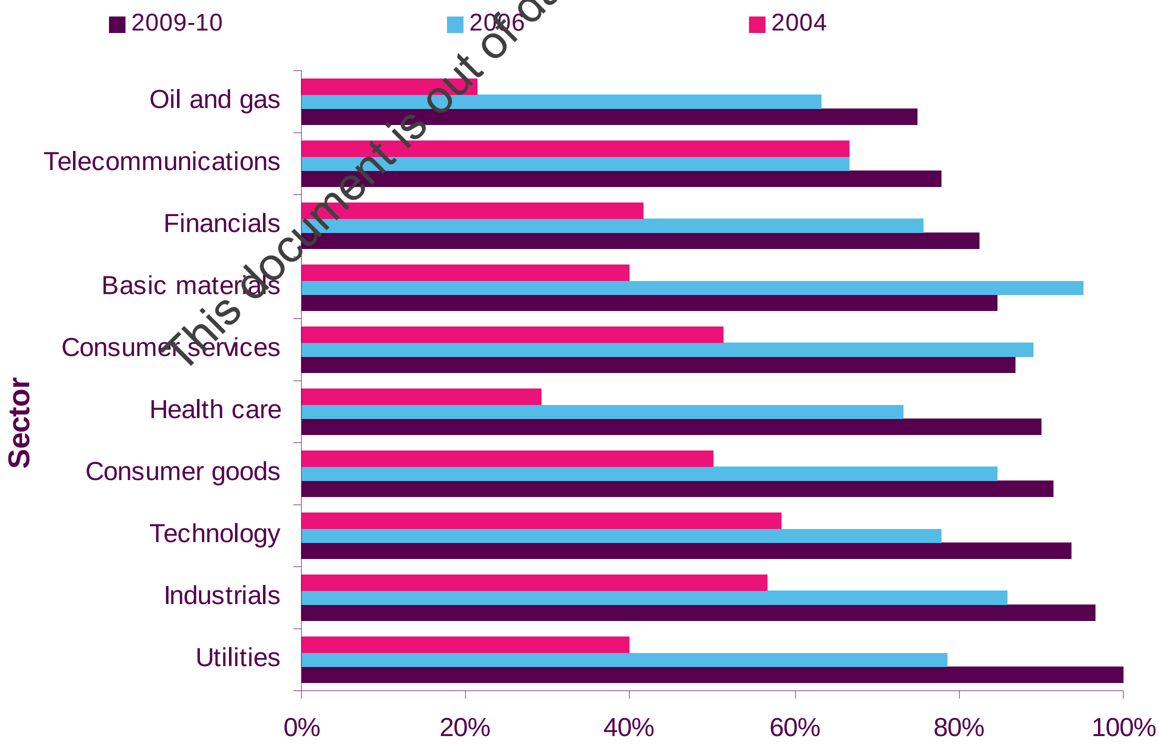
Every company generates waste. It is therefore not entirely surprising that it has remained the most discussed topic since 2004. 89% of the 458 companies analysed discuss waste management in 2009-2010, up from 76% in 2004.

The UK government wants to help businesses reduce their waste and increase reuse and recycling.[59] This could help protect the environment and improve resource efficiency, with potential cost savings.

The EU waste hierarchy provides a framework for sustainable waste management. It ranks waste management options in order of preference, based on environmental impact: reduction, re-use, recycling, energy recovery/incineration and disposal. Manufacturers could save around 1% of turnover by minimising waste.[60] The incentive to use resources more efficiently will increase with pressures such as landfill tax, payable on disposal of waste at landfills to encourage producers to minimise waste. The rate for disposing of active waste, currently £48 a tonne, is set to escalate by £8 a year until it reaches £80 a tonne in 2014-2015.

Discussion rates were highest among utilities (100%) and lowest among oil and gas companies (75%). Fewer basic materials companies discussed waste in 2009-2010 than in 2006, down by ten percentage points to 85%. The biggest increases were among health care, utilities and oil and gas companies (see Figure 3).

Figure 3: Percentage of companies by sectors reporting on waste



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The increase in discussion of waste among the 32 technology companies may be partly due to the introduction of the WEEE regime. Although just three companies in the sector mentioned WEEE, 88% referred to recycling in their annual reports. Among them is **Sepura**, which states that it complies with various environmental regulations and is satisfied that its suppliers fulfil their obligations too. The company says that it has improved its waste measurement and management. However, it could improve reporting by disclosing quantities of hazardous and non-hazardous waste produced.

Extract: Sepura Plc 2010

The Company is ISO 14001 accredited and in February 2010 we were re-accredited following our scheduled audit. Our business complies with both the Waste Electrical and Electronic Equipment Regulations 2002 ("WEEE Regulations") and the Restrictions of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations 2004 ("RoHS Regulations"). During the year we complied with the Waste Batteries and Accumulators Regulations and satisfied ourselves that our supply chain was able to fulfil its obligations. We have put in place a 'take-back' scheme for batteries and we record sales by weight and chemistry to comply with the Waste Batteries and Accumulators Regulations.

We are responding to the increasing demand from government and stakeholders to measure and minimise the impact of our business on the environment. In the past year, we have improved our measurement of utilities and waste, the segregation of waste streams and the range of waste we recycle. In addition to waste paper collection, we have also now introduced plastic, aluminium, steel, battery, electrical, toner cartridge and cardboard collection and re-cycling arrangements.

Invensys Plc clearly shows the quantities of hazardous and non-hazardous waste produced together with targets so that performance against these can be tracked. The waste data cover 41 manufacturing sites, which shows that the company is focusing on resource-intensive parts of the business. If it included quantities from a further 107 non-manufacturing sites it would demonstrate an organisation-wide approach to reducing waste and monitoring overall waste management.

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Extract: Invensys Plc 2010

Environmental performance

Our manufacturing locations have shown year-on-year improvements in the environmental KPIs (energy, CO_2, water, hazardous waste and non-hazardous waste) at levels exceeding our 5% absolute reduction targets. The higher than expected reductions are driven in part by successful efficiency projects and in part by the rationalisation of some of our manufacturing facilities. For the current year, we have set a 3% absolute reduction as a target.

Year ended 31 March	Unit	2010	2009	% change	% target
Energy use					
manufacturing[1]	MWh	152,135	175,353	(13%)	(5%)
non-manufacturing[2]	MWh	48,741	53,611	(9%)	nm[4]
CO_2 emissions					
manufacturing[1]	tonnes	64,587	71,512	(10%)	(5%)
non-manufacturing[2]	tonnes	24,658	26,786	(8%)	nm
global fleet	tonnes	12,835	13,865	(7%)	nm
business airline travel[3]	tonnes	21,310	22,511	(5%)	nm
Water consumed[1]	m^3	390,372	436,076	(10%	(5%)
Waste generated (non-hazardous)[1]	tonnes	6,874	8,866	(22%)	(5%)
Waste generated (hazardous)[1]	tonnes	562	658	(15%)	(5%)

[1] Based on 42 sites in 2009 and 41 sites in 2010
[2] Based on 113 sites in 2009 and 107 sites in 2010
[3] 2009 data restated to reflect current methodology
[4] nm = not measured

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Are reporting frameworks working?

Findings suggest that mandatory disclosure frameworks are driving improvements in environmental reporting. However, not all companies are discussing potentially material environmental issues in Business Reviews, and some discuss environmental matters more comprehensively than others.

90% of companies included a Business Review and 7% included an Operating and Financial Review (OFR) in their annual reports. 6% of companies included both reviews and OFRs. 9% provided neither. This analysis excludes instances where companies said that they complied with Business Review and/or OFR standards, but did not include specific Business Review or OFR sections in their annual reports.

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Table 4 below shows where the keywords used in the analysis appeared in annual reports and accounts in 2009-2010. Figure 4 shows that 57% of environment-related keywords were reported in Business Reviews included in annual reports, up from 21% in 2006. 10% of companies did not provide Business Reviews, required where relevant under the Companies Act 2006. If companies do not report environmental matters in Business Reviews, they must explain why not. It was outside the scope of our analysis to explore why this was.

40% of the keywords examined were discussed in OFRs, published by 33 companies despite this no longer being required. Twenty-six companies included both Business Reviews and OFRs in their annual reports.

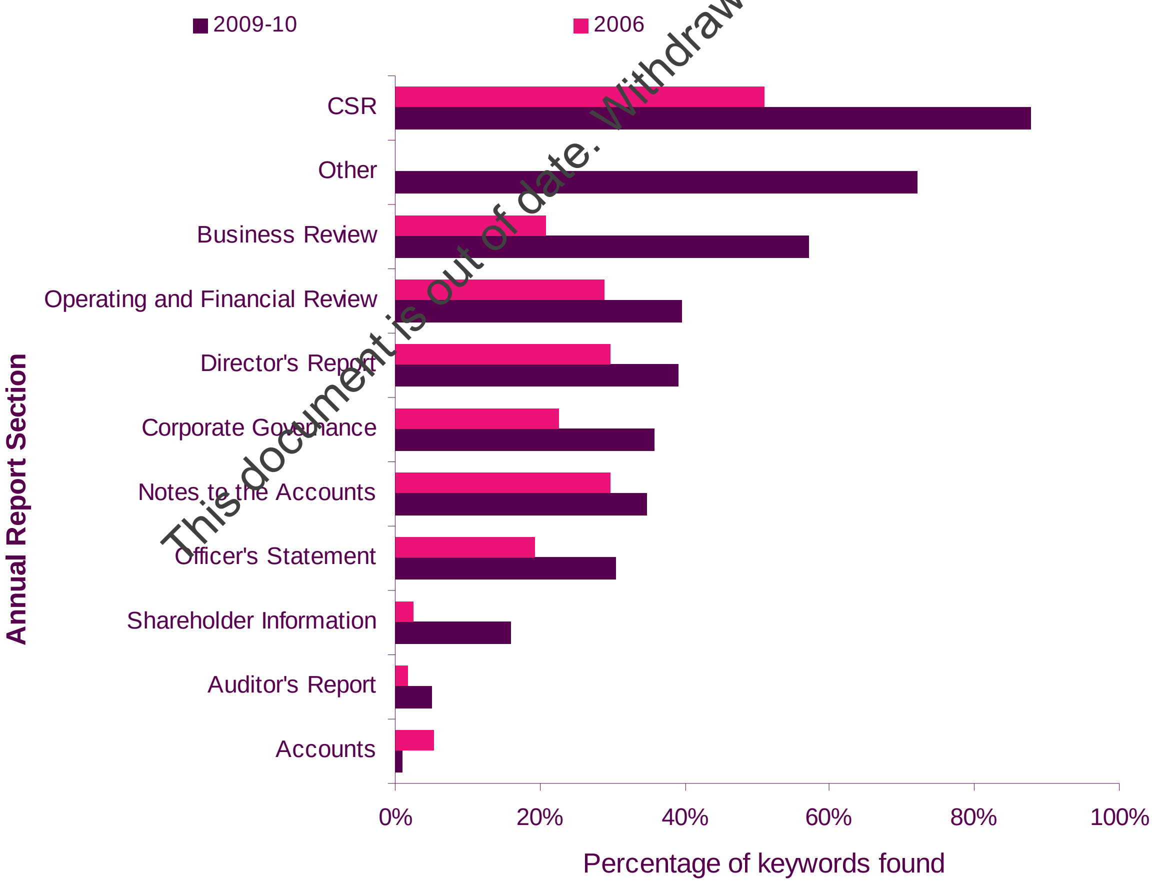
88% of environmental issues examined featured in CSR sections, with only 1% discussed in the accounts, a drop from 5% since the previous analysis. This may indicate a concerning trend. In February 2011, the Financial Reporting Review Panel raised concerns about how companies are reporting the principle risks and uncertainties facing their business in Business Reviews. [61] Information on environmental risks increasingly being appended to the CSR section, rather than being fully integrated within financial results. Detailed performance information within narratives in CSR sections of annual reports and accounts can frequently become less accessible to investors and other stakeholders.

Environmental topics were far more likely to be discussed in sections providing shareholder information in 2009-2010 than in 2006, perhaps reflecting the increase in proxy resolutions and engagement on environmental disclosure and performance by responsible investors.

Table 4: Percentage of keywords found in annual report sections 2009-2010

Annual Report Section	% of keywords
CSR	88
Other	72
Business Review	57
Operating and Financial Review	40
Director's Report	39
Corporate Governance	36
Notes to the Accounts	35
Officer's Statement	31
Shareholder Information	16
Auditor's Report	5
Accounts	1

Figure 4: Percentage of keywords found in annual report sections 2006-2010



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Are companies following voluntary guidance?

More companies are disclosing data on environmental impacts in line with government guidance. However the quality of quantitative data provided varies for different environmental impacts.

Qualitative reporting on environmental impacts that can affect company performance, such as energy, greenhouse gas (GHG) emissions, water and waste – can be useful for an understanding corporate policies, strategies and management. However, demand is growing from investors and other stakeholders for more focused, relevant information in annual reports and accounts.

The requirement for a Business Review is designed to improve company reporting on environmental matters. The government's voluntary environmental reporting guidance for UK Business recommends quantitative reporting on environmental key performance indicators (KPIs) relevant to business activities. The guidance explains how standard business data such as utilities bills can be used to measure environmental KPIs such as water and energy use.

Quantitative information makes it easier to connect environmental and financial performance. Comparable data can be useful to compare the environmental performance of companies in different sectors over time. Companies that measure their environmental impacts are well placed to manage them. They can use data on resource use, pollution and waste to identify opportunities to improve processes, reduce costs and support regulatory compliance. Quantitative information can also be used to benchmark performance and provide a baseline for targets to reduce impacts, while ongoing monitoring can support initiatives to address 'hotspots' and communicate progress.

This section examines how companies are quantifying their environmental impacts in their annual reports and accounts. Reporting categories are:

- No quantification;
- General quantification;
- Quantification from which data can be derived to meet government guidelines (for example, fuel use);
- Quantified disclosures that meet government guidelines.

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The number of FTSE All-Share companies providing either general quantification, data that could be derived, or disclosures that meet government guidelines increased by 59% between 2006 and 2009-2010.

Reporting on figures and statistics in accordance with guidelines by FTSE All-Share companies rose from 15% in 2006 to 28% in 2009-2010 (see Figure 5). More companies are therefore providing absolute data on the environmental impacts of their entire business operations, as recommended. Comparable quantitative disclosures increased among both FTSE 350 and FTSE Small Cap companies. For the first time, more FTSE 350 companies reported data in line with the guidance (34%) than those disclosing general quantitative information (29%).

A further 15% of FTSE 350 firms provided data that could be assessed to meet the guidelines. For instance, some companies provided data that were for part of their operations or only on energy consumption. It would be relatively easy for companies providing data such as quantities of fuel consumed or electricity purchased to use conversion factors to identify resulting environmental impacts.

26% of FTSE All-Share companies provided general quantification, such as data normalised without an aggregating factor available, or percentage changes in environmental impacts. Absolute data would provide a more complete picture of their environmental impacts.

The number of companies not quantifying any data has fallen among companies of all sizes. However, one-third of FTSE All-Share companies still do not report quantitatively, down from 58% in 2006. 51% of FTSE Small Cap companies, which generally have lower turnover and smaller operations than those in the FTSE 350, did not disclose any quantified data.

Many FTSE Small Cap companies might provide goods and services to others in the FTSE All-Share, and therefore contribute to their indirect environmental impacts. Many will be under pressure to demonstrate their environmental credentials and their contribution to reducing their customers' environmental footprints. They could strengthen their position in the marketplace and achieve cost savings by measuring and reducing energy and water use, as well their as waste generation.

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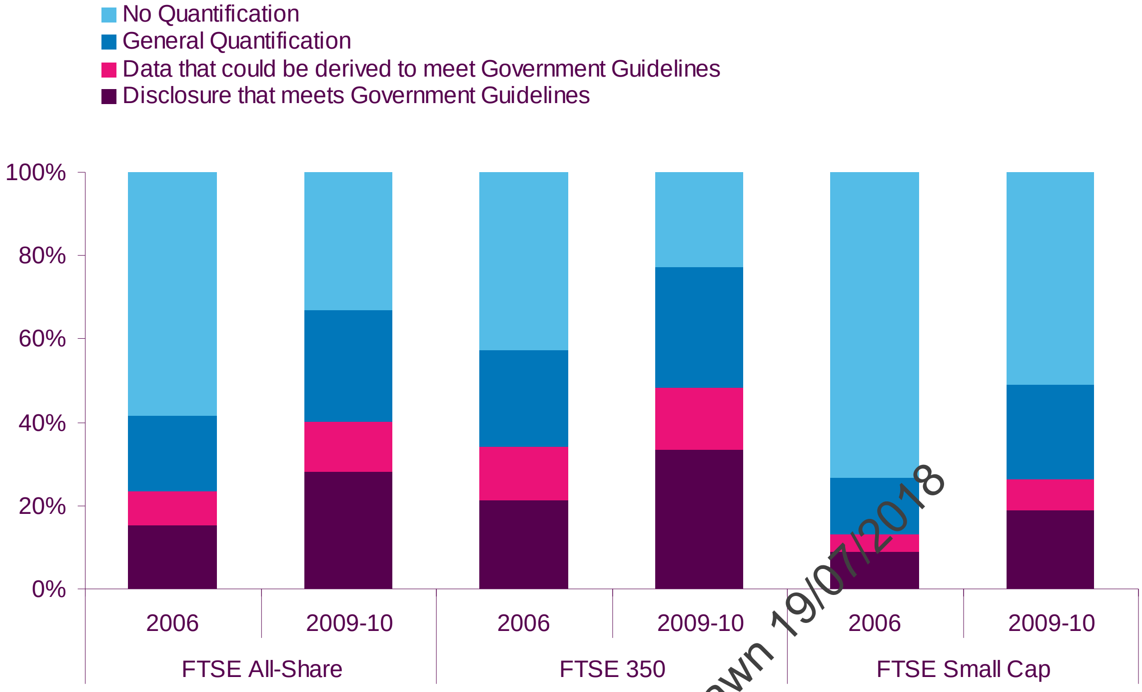
Figure 5: Quantitative reporting by companies of different sizes



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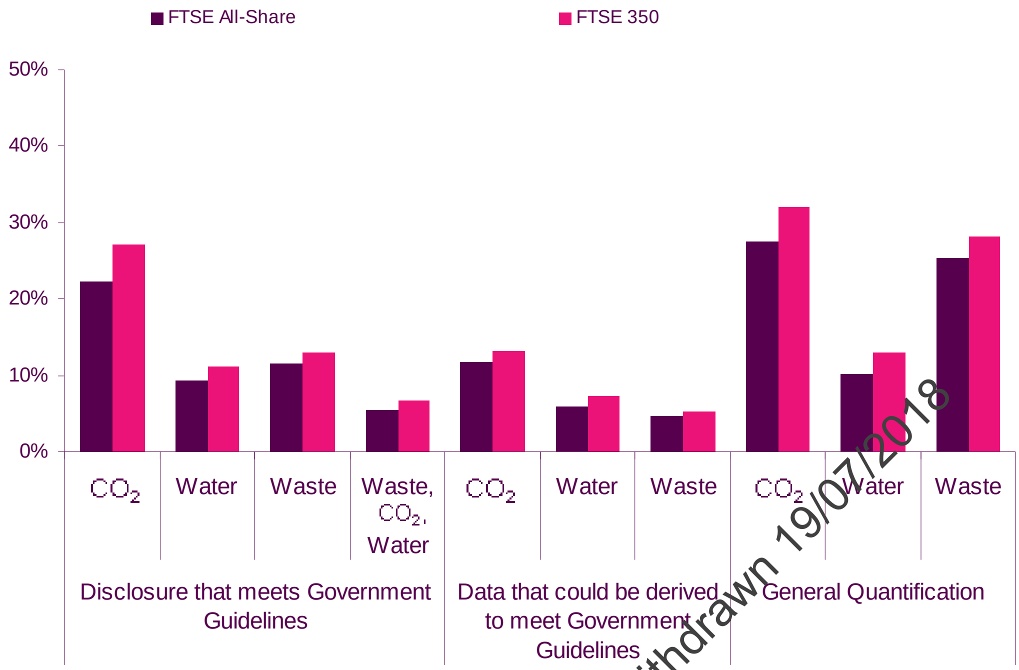
The percentage of FTSE All-Share companies reporting on the three KPIs CO_2, water and waste in line with government guidelines has doubled to 6% (see Figure 6). Companies are listed in Table 7 on page 58 alongside information on quantitative reporting levels.

77% of FTSE 350 companies provided some quantification on at least one of the core KPIs, up from 57% in 2006. 34% disclosed GHG, water and/or waste data in line with Defra's 2006 environmental reporting guidelines, compared with 22% in 2006. Of the 118 annual reports and accounts analysed for financial years ending in 2009-10, 7% disclosed GHGs in line with the government's GHG reporting guidance published in September 2009.[62]

The number of FTSE All-Share companies reporting CO_2 emissions in line with government guidance has risen by 10% to 22%. This number has increased from 18% to 28% among FTSE 350 firms.

Figure 6:
Disclosure of quantitative data, FTSE All-Share vs. FTSE 350 – 2009/2010



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Fewer FTSE All-Share companies generally quantified water data, but the percentage reporting on water use in line with guidelines has risen to 10% since 2006. Given the growing importance of water issues for businesses and other stakeholders, we encourage more companies to report on water use. Government guidelines recommend that companies report on volumes of water abstracted as well as supplied water usually measured through automatic meter readings or bills.

A higher percentage provided comparable disclosures on waste (12%) than in 2006. government guidelines advise companies to report waste in metric tonnes per year, breaking down waste materials into type. The percentage of waste disposed of using different waste management destinations should also be reported, such as the amount recycled or sent to landfill.

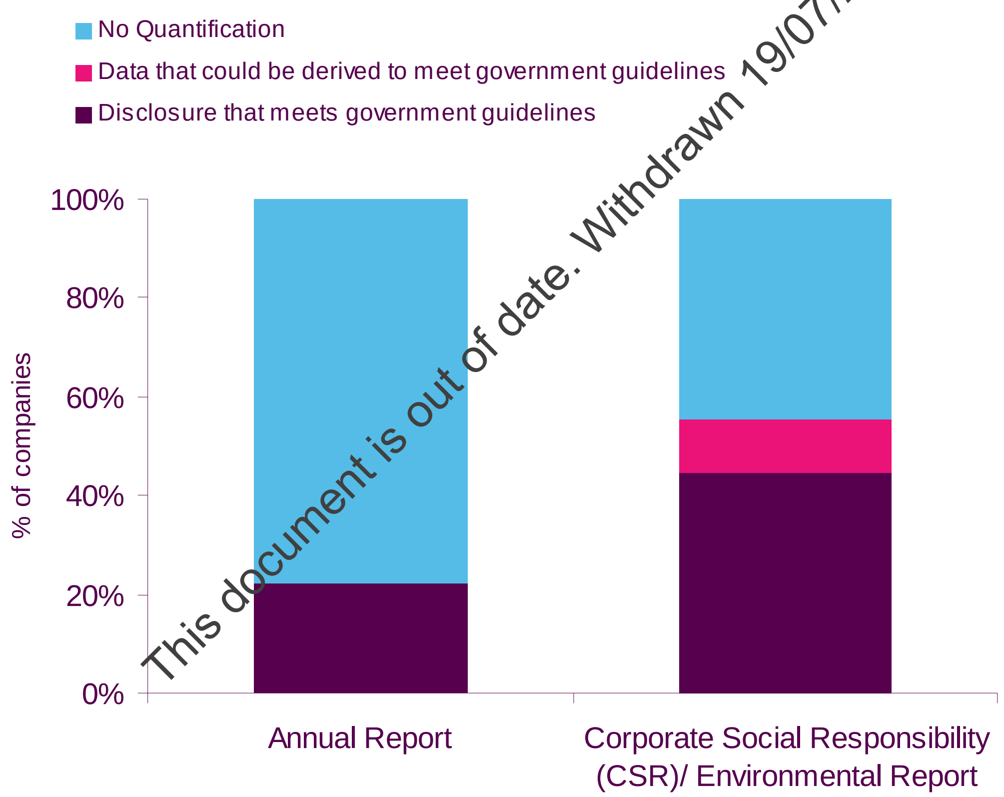
Sector-specific KPIs

The government guidelines recommend that businesses report on further significant KPIs where relevant to their industries. For instance, companies that supply electricity, gas, steam and hot water are advised to report on acid rain and smog precursors such as sulphur dioxide and nitrous oxides, in addition to GHGs, water abstraction and waste.

We examined reporting by nine utility firms to assess whether they met the guidelines on other KPIs. Two firms reported data on acid rain and smog precursors in line with government guidance in their annual reports – Scottish & Southern Energy and International Power Plc. This suggests that several companies recognise the potential materiality of broader environmental impacts. Scottish & Southern is also among utility firms that discuss the forthcoming Industrial Emissions Directive (see page 24).

A further 44% provided adequate data in their CSR or Environment reports, demonstrating that they are monitoring and reporting the information for non-financial stakeholders. It would therefore be relatively easy for them to include the data in Business Reviews.

Figure 7: Quantified reporting by Utilities sector on acid rain and smog precursors – 2009/2010



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Progress and next steps

Reporting among FTSE All-Share companies has improved since 2006. Many environmental topics are being discussed by more companies and quantified disclosures on environmental KPIs are more frequent and robust. This suggests that statutory reporting frameworks and voluntary guidance have helped improve the standard of environmental reporting.

However, many companies are yet to catch up with their peers by providing information in line with reporting frameworks in their annual reports and accounts. Levels of reporting and the quality of disclosures vary within sectors, reflecting variations in performance. Companies that measure, manage and report their environmental impacts in line with accepted standards are better positioned than sector peers for regulatory compliance and sustainable procurement initiatives. Companies that can demonstrate superior environmental performance could benefit from greater market share. Those that use resources efficiently and emit fewer greenhouse gases (GHGs) are well placed for the more energy-efficient, low-carbon economy planned by the coalition government.

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Demand for more focused and useful environmental reporting is growing alongside the escalating materiality of environmental impacts such as energy, GHG emissions, water use and waste. Reporting standards are being strengthened to meet shareholder rights for access to better information on environmental performance and related costs. Investors need comparable environmental data that can be integrated into financial analysis so that investment decisions can take account of environmental performance and related risks and opportunities.

Companies already reporting well can lead by example and help raise the bar for environmental reporting by consulting stakeholders on their information needs and contributing to emerging good practice. Relevant quantifiable metrics that reflect a company's environmental performance could contribute to achieving wider goals such as cost savings, productivity gains, regulatory compliance, business continuity, a stronger position in the marketplace and lower costs of capital.

More companies of all sizes could follow government guidelines on how to collect and report data cost effectively. Most businesses could benefit from measuring and managing at least three environmental key performance indicators (KPIs). Based on some of the findings in this report, we have included some good practice guidance for companies in different sectors to improve environmental reporting.

Companies may consider how they…

- Disclose absolute quantities of energy and water use, GHG emissions and waste in annual reports and accounts.
- Provide data on any additional environmental key performance indicators (KPIs) which might affect the development, performance or position of the business.

- Align environmental reporting with financial accounting.
- Report figures on a global basis for entire operations.
- Where data is normalised to show efficiency/intensity – for example by tonne of production – also disclose absolute data.
- Provide supporting information on policies in relation to the above KPIs and the effectiveness of those policies, for example, environmental risk management.
- Companies that already measure and report their direct impacts may also want to measure other significant environmental impacts from their supply chains.

Figure 8 shows levels of quantitative reporting by FTSE All-Share companies in each sector. The telecommunications sector has the highest level of reporting in line with government guidelines for CO_2 (44%), but the lowest for water use (0%). The healthcare sector also fails to report comparable data on water, whereas basic materials companies have the highest level of adequate disclosures on water (38%) as well as waste (31%). Only in the oil and gas sector do no companies provide data on waste in line with guidelines.

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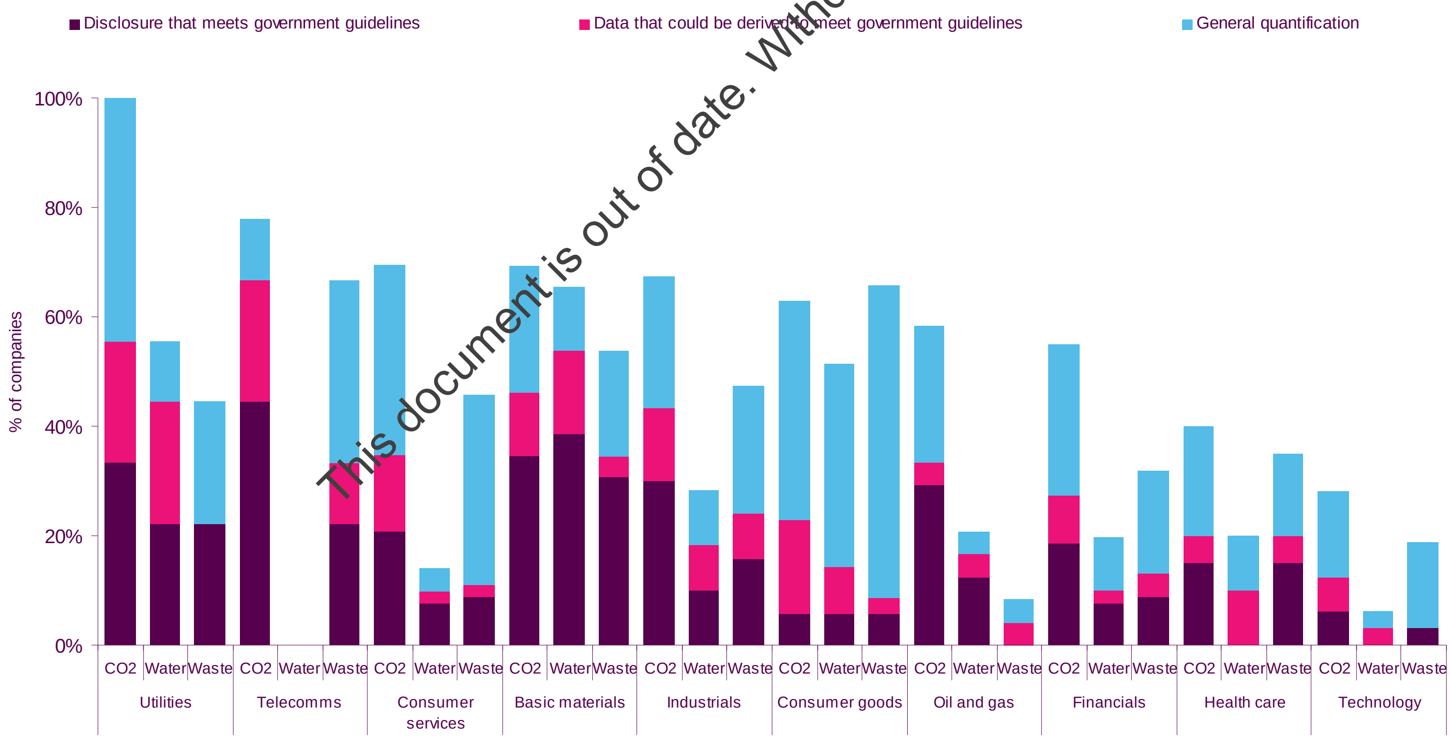
Figure 8: Quantitative reporting in the FTSE All-Share by sector



Many companies already collect information such as electricity, gas and water bills that can be used to measure environmental impacts. Some support and guidance for quantitative reporting on the core environmental KPIs we examined is outlined below:

GHG emissions

- Report gross GHG emissions from operations over which the company has financial control in tonnes of CO_2e.
- Measure or calculate direct emissions from sources such as fuel combustion in boilers, owned transport, operating processes and equipment such as air conditioning (Scope 1 of the GHG Protocol).
- Disclose emissions from the consumption of purchased electricity, heat, steam and cooling (Scope 2).
- Once direct carbon footprints have been calculated, organisations might want to measure emissions from other indirect sources such as purchased materials and fuels, transport and waste disposal (Scope 3).
- Report on emission reductions from activities such as carbon offsets and green tariffs separately.
- Summarise GHG emissions data in a table (see example corporate carbon footprint below).

Example corporate carbon footprint[63]

GHG emissions data for period 1 January 2010 to 31 December 2010

	Tonnes of CO_{2e}		Base year 2006
	2010	2009	
Scope 1	17,100	17,500	13,120
Scope 2	14,500	15,100	10,000
Scope 3	9,410	10,415	12,990
Total gross emissions	**41,010**	**43,015**	**36,110**
Carbon offsets	(5,000)		
Green tariff	(7,250)	(9,800)	
Total annual net emissions	**28,760**	**33,215**	**36,110**

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Energy use

- Provide information on direct use of oil, coal and renewable energy such as wind or solar power in standardised metrics such as joules.
- Report on indirect energy use such as electricity purchases in standardised metrics such as kilowatt hours. If the company has overseas operations, provide a breakdown of electricity usage by country.
- Disclose expenditure on energy.

Water use

- Report quantities of water abstracted in absolute cubic metres.
- Collect data on supplied water from automatic meter readings or water bills.
- Water-intensive sectors such oil and gas, basic resources and consumer goods could provide an explanation of policies on water use.

Waste

- Report absolute tonnes of waste by disposal route, for example volumes of landfill and recycled waste.

Further information

This report establishes the level of environmental disclosures made by FTSE All-share listed companies in 2009/2010, and provides examples of good practice that others may chose to follow. We advise that this report is read alongside "*Environmental issues and annual financial reporting* "[64] published jointly by the ea with the Institute of Chartered Accountants for England & Wales (ICAEW).

This best practice report considers the latest EU environmental directives, and links these to the latest financial reporting standards. It is written to provide support to those involved in preparing or auditing financial statements, or those who sit on the boards of these companies, in reporting their environmental impacts. Given the increasing financial materiality of many environmental impacts, it is important that both UK companies and public sector organisations properly address these when reporting to their shareholders, investors and other stakeholders.

Whilst non-statutory voluntary reports, including those looking at individual key issues and those focusing on wider corporate social responsibility (CSR) topics, provide valuable sources of in-depth analysis, annual financial statements should be the first source of information on all financially material issues, including environmental ones.

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Appendices

Table 5 Reporting requirements and guidance

Country	Title	Date	Scope and sources	Comments
Mandatory requirements				
EU	Accounts Modernisation Directive 2003/51/EEC	2005	All EU companies http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32003L0051:EN:NOT	Mandatory. Amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings. Transposed into national law in member states.
UK	Companies Act 2006	2006	All medium and large UK companies http://www.opsi.gov.uk/acts/acts2006/en/ukpgaen_20060046_en.pdf	Mandatory. Section 417 outlines the information that must be contained in a Business Review. The Companies Act 1985 provides that if a Director's Report does not comply with the provisions, including the requirement to contain a Business Review, every director who knew that it did not comply or was reckless as to whether it complied and failed to take all reasonable steps to secure compliance is guilty of an offence and liable to a fine. Criminal penalties apply for financial years beginning on or after 1 April 2005. Civil remedies also apply for financial years beginning on or after 1 April 2006. The Financial Reporting Review Panel can apply to the court for a declaration that the Directors' Report does not comply with the provisions of that Act and for an order requiring the directors to provide a revised report. The court can order that certain expenses incurred by the company are to be borne by the directors.

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US	SEC Release 33-6383_I_II, Adoption of Integrated Disclosure System	1982	Registered securities/ public companies http://content.lawyerlinks.com/default.htm#http://content.lawyerlinks.com/library/sec/sec_releases/33-6383_i_ii.htm	Companies must report the financial impact of compliance with environmental laws, based on the materiality of information. Disclosure should include litigation and other compliance costs involving the discharge of materials into the environment and environmental protection if material, for example claims for damages, potential monetary sanctions of over US$100,000 and capital expenditures. Information is considered material if there is a substantial likelihood that a reasonable investor would consider it important in deciding how to vote or make an investment decision.
US	SEC Guidance Regarding Disclosure Related to Climate Change	2010	Registered securities/public companies http://www.sec.gov/rules/interp/2010/33-9106.pdf	The SEC's interpretive release provides guidance to public companies regarding existing disclosure requirements as they apply to climate change. Companies should consider disclosing the impact of legislation and regulation regarding climate change; the impact of treaties or international accords relating to climate change; legal, technological, political and scientific developments regarding climate change that may create new opportunities or risks; and significant physical impacts of climate change that may affect operations and results.
Voluntary guidance				
UK	Environmental Key Performance Indicators: Reporting Guidelines for UK Business	2006	All UK companies http://www.defra.gov.uk/environment/business/reporting/pdf/envkpi-guidelines.pdf	Voluntary guidance issued by Defra to help companies measure and report their environmental performance using environmental key performance indicators (KPIs) relevant to their sectors. The guidance sets out 22 environmental KPIs to make it easier for businesses to comply with the requirements for a Business Review and link environmental and financial performance.
UK	Guidance on how to measure and report greenhouse gas emissions	2009	All UK companies http://www.defra.gov.uk/environment/business/reporting/pdf/ghg-guidance.pdf	The voluntary guidance issued by Defra and the Department of Energy and Climate Change (DECC) explains how to measure greenhouse gas emissions and set targets to reduce them. The guidance is based on the Greenhouse Gas Protocol, the internationally recognised standard for corporate accounting and reporting of GHG emissions. It is therefore aligned with other measuring and reporting frameworks such as the International Orgnisation for Standardisation (ISO) 14064 (greenhouse gases), ISO 14040 (life cycle assessment) and BSI PAS 2050 (life cycle greenhouse gas emissions).
Accounting standards				
EU/ International	FRS10/IAS 38 Goodwill and intangible assets		All listed companies	Under the 'full market' and 'cost of settlement' approaches the allowances in cap-and-trade schemes should be disclosed as intangible assets, with descriptions and reporting of individual carrying amounts. [65]

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EU/ International	FRS 11/IAS 36 Impairment of fixed assets and goodwill	All listed companies	An impairment is an event that causes a fall in the value of a fixed asset. This could be due to an environmental incident of change in environmental legislation. Such assets should be written down immediately to reflect the environmental position. The impairment loss should be recognised in the profit and loss account. [66]
EU/ International	FRS12/IAS 37 Provisions, contingent liabilities and contingent assets	All listed companies	Provision should be made for a transfer of economic benefits to satisfy an obligation when reliable estimates can be made and there is an obligation to undertake work. For instance, environmental liabilities such as hazardous waste and pollutant releases can be difficult to forecast because of uncertainties over timing or value or both. Where it is not possible to make reliable estimates, narrative disclosure is still required. A provision must be made for emissions obligations as pollution emitted equal to the value of the allowances required to cover the pollution (or fines to be paid if there are insufficient allowances). [67] [68]
US	FASB Interpretation No. 47 Accounting for Asset Retirement Obligations	All SEC-listed companies	An asset retirement activity should be performed despite uncertainty about the timing and/or method of settlement conditional on a future event that may or may not be within the control of an entity.
EU	Commission Recommendation 2001/453/EC on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies	All large companies http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32001H0453:EN:NOT	The recommendation covers requirements to recognise, measure and disclose environmental expenditures, environmental liabilities and risks and related assets that arise from transactions and events that affect, or are likely to affect, the financial position and results of a company.

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Table 6: Summary of environmental legislation

Country	Description	Date in force	Scope	Comments
UK	Aggregates Levy		Quarry operators and importers	The tax on sand, gravel and rock aims to make the price of aggregates better reflect the environmental costs of quarrying and encourage use of recycled aggregates alternative materials. The rate frozen at £2 per tonne in 2010-11, and is due to increase to £2.10 per tonne in April 2011.
UK	Carbon Reduction Commitment (CRC) Energy Efficiency Scheme	2010	Organisations with a settled half-hourly electricity meter that used at least 6,000 MWh during 2008	CRC participants have to monitor and report carbon dioxide emissions from energy use to the Environment Agency. They will have to purchase and surrender allowances for each tonne of CO_2 emissions from 2012. The price of allowances will be fixed at £12 per tonne of CO_2 during a four-year introductory phase.
UK	Climate Change Act	2008	UK-wide	The Act sets a legally binding target to reduce UK greenhouse gas emissions by at least 80% on 1990 levels by 2050. The UK must cut emissions by at least 34% by 2020. Measures to achieve the targets include the CRC.
UK	Climate Change Levy (CCL)	2001	Business energy users	The levy on electricity, gas, petroleum and other fuels aims to encourage businesses to improve energy efficiency and use energy from renewable sources. Rates are due to be raised in line with inflation from 1 April 2011. Rates vary for different energy sources, e.g. 0.470 pence per kilowatt hour (kWh) of electricity. Suppliers pass costs on in energy bills.
UK	Climate Change Agreements		Energy-intensive industries	CCAs enable companies in energy-intensive sectors such as steel, chemicals and cement to receive an 80% reduction in the CCL if they join agreements between trade bodies and the government to meet energy efficiency or carbon reduction targets.
UK	Enhanced Capital Allowances (ECAs)		All companies	Companies can access financial incentives of up to 100% of costs of investing in qualifying energy-saving, low-carbon and water-efficient equipment and vehicles. Companies can use ECAs to improve cash flows by writing off equipment costs against taxable profits.

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EU	Environmental Liability Directive (ELD) 2004/35EC	2004	All companies	The Directive applies the 'polluter pays' principles by making companies liable for preventing and remediating environmental damage to land, water, protected species or habitats.
England	Environmental Damage (Prevention and Remediation) Regulations	2009		Transposes the ELD into national law in England.
Wales	Environmental Damage (Prevention and Remediation) (Wales) Regulations 2009	2009	All companies	Transposes the ELD into national law in Wales.
UK	Environmental Permitting Regulations (England and Wales) 2010	2010	Sectors including chemical manufacturing, metals, power generation, oil refining, food and drink, cement production, paper and pulp and waste management	Permits are required for activities including water discharges and groundwater activities, use of radioactive substances, waste disposal and point source emissions to air. Permits set restrictions to minimise environmental damage. Possible enforcement actions include removing authorisation for facilities to operate, fines and imprisonment.
EU	EU Emission Trading System (EU ETS)	2005	EU facilities in certain sectors with more than 20 MW thermal input capacity	The majority of EU Allowances for carbon dioxide emissions are allocated free of charge during Phase II from 2008-2012. Carbon prices are expected to rise when auctioning increases during Phase III from 2013-2020 and more gases and sectors are covered by the cap-and-trade programme.

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EU	Industrial Emissions Directive 2010/75/EU	6 January 2011	Industrial installations	The Directive recasts seven existing Directives (the IPPC Directive and six sectoral Directives – Large Combustion Plants, Waste Incineration, Solvents Emissions and three on Titanium Dioxide) into a single legislative instrument. It will require best available techniques (BAT) to be applied to meet emissions limits for pollutants including nitrogen, sulphur oxides and particulates. Minimum provisions cover the inspection of industrial installations, permits reviews and reporting on compliance and soil protection. EU member states must transpose the Directive and start implementing the new legislation by January 2013.
EU	Integrated Pollution Prevention and Control 2008/1/EC	2008	Industrial installations	The Directive sets out principles for the permitting and control of installations based on an integrated approach and the application of best available techniques (BAT) which are the most effective techniques to achieve a environmental protection. Related sectoral directives lay down specific minimum requirements, including emission limit values for industrial activities such as power generation and waste incineration.
UK	Landfill tax		All businesses	The landfill tax aims to encourage diversion of waste from landfill to more sustainable waste management practices. The rate currenty stands at £48 per tonne and is due to increase by £8 per tonne annually, until it reaches £80 per tonne.
EU	Large Combustion Plants Directive 2001/80/EC	2001	Power generators with thermal input of at least 50 MW	The Directive aims to reduce emissions of acidifying pollutants, particles and ozone precursors. It sets emission limit values (ELVs) for sulphur dioxide, nitrogen oxide and dust, as well as for the use of biomass as fuel for compliance periods between 2008-2018. Provisions include the option of a national emission reduction plan (see below). Plants can be exempted provided they do not operate for more than 20,000 hours between 2008 and 2015, after which they will have to close.
UK	Large Combustion Plants (National Emissions Reduction Plan) Regulations 2007	2008	Power generators with thermal input of at least 50 MW	The regulations, which transpose parts of the Large Combustion Plants Directive, allows large combustion plants to trade annual allowances for sulphur dioxide, nitrogen oxides and particulates. Facilities that opt to join the scheme must meet an aggregate emissions limit, rather than ELVs that apply to individual plants.

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UK	Producer Responsibility Obligations (Packaging Waste) Regulations 2007	2007	Businesses that handle more than 50 tonnes of packaging per annum and have an annual turnover of over £2 million	The legislation transposes the EC Directive on Packaging and Packaging Waste (2004/12/EC) into national law. It applies a 'producer responsibility' system to make businesses responsible for meeting their share of targets to recover and recycle packaging waste. A market-based system is in place to help firms achieve compliance cost-effectively.
EU	Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)	2007	Manufacturers and importers of chemicals	The Regulation makes industry responsible for assessing and managing chemical risks and providing safety information to users. Chemical manufacturers and importers must register substances with the European Chemicals Agency (ECHA). Certain substances will need to be evaluated and authorised. Substances of very high concern will need to be properly controlled and replaced by alternative substances or technologies. Hazardous substances may be restricted.
UK	Renewables Obligation Order	2002	UK electricity suppliers	Power producers are required to source an increasing proportion of electricity from renewable sources. Generators are issued with Renewables Obligation Certificates (ROCs) for their quallifying output. Suppliers can present Ofgem with sufficient ROCs to meet their obligations or make a buy-out payment. The buy-out price for 2010-2011 is £36.99 per ROC – the rate which suppliers need to pay if they don't have enough ROCs.
International	UN ECE Protocol on Pollutant Release and Transfer Registers	2003 (Legally binding in 2009)	Industrial sites and business facilities	Thirty-six states and the European Community signed the Protocol to establish nation-wide Pollutant Release and Tranfer Registers that provide public access to an inventory of pollution from industrial sites and other sources.
UK	Waste Electrical and Electronic Equipment (WEEE) Regulations	2007	Manufacturers, importers and rebranders of electrical or electronic equipment	The legislation transposes the WEEE Directive (2002/96/EC) into national law. It applies a system of 'producer responsibility', an extension of the polluter pays principle, to increase recycling/re-use of WEEE. Provisions aim to make businesses responsible for waste products through the creation of collection schemes where consumers return their used e-waste free of charge.

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Table 7: Company reporting in the FTSE All-Share – local of reporting and number of core environmental KPIs

Highlighted companies gave absolute figures for CO_2 emissions, water and waste

Name	ICB Industry Sector	FTSE Index	OFR	Business Review	Both	Number of core KPIs disclosed in accordance with government Guidelines (max of 3)
3I GROUP PLC	Financials	FTSE 250		Yes		1
888 HOLDINGS PLC	Consumer services	FTSE 250		Yes		0
A&J MUCKLOW GROUP PLC	Financials	FTSE All-Share				0
A.G. BARR PLC	Consumer goods	FTSE 250		Yes		0
ABERDEEN ASSET MAN.PLC	Financials	FTSE 250		Yes		1
ADMIRAL GROUP PLC	**Financials**	**FTSE 100**		**Yes**		**3**
AEGIS GROUP PLC	Consumer services	FTSE 250		Yes		1
AFREN PLC	Oil & gas	FTSE All-Share		Yes		0
AGA RANGEMASTER GROUP PLC	Consumer goods	FTSE All-Share		Yes		0
AGGREKO PLC	Industrials	FTSE 250				0
AIR PARTNER PLC	Consumer services	FTSE All-Share		Yes		0
ALPHAMERIC PLC	Technology	FTSE All-Share				0
ALTERIAN	Technology	FTSE All-Share		Yes		0
AMEC PLC	Oil & gas	FTSE 100		Yes		0
AMLIN PLC	Financials	FTSE 100		Yes		0
ANGLO AMERICAN PLC	Basic materials	FTSE 100	Yes	Yes	Yes	2
ANGLO PACIFIC GROUP PLC	Basic materials	FTSE All-Share		Yes		0
ANGLO-EASTERN PLTNS.PLC	Consumer goods	FTSE All-Share		Yes		0
ANITE PLC	Technology	FTSE All-Share		Yes		0
ANTISOMA PLC	Health care	FTSE All-Share		Yes		0
ANTOFAGASTA PLC	Basic materials	FTSE 100		Yes		0

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AQUARIUS PLATINUM LTD	Basic materials	FTSE 250				0
ARENA LEISURE PLC	Consumer services	FTSE All-Share		Yes		0
ARK THERAPEUTICS GROUP PLC	Health care	FTSE All-Share		Yes		0
ARM HOLDINGS PLC	Technology	FTSE 250		Yes		0
Arriva Bus and Coach Ltd	Consumer services	FTSE 250		Yes		1
ASHLEY (LAURA) HDG.PLC	Consumer services	FTSE All-Share	Yes	Yes	Yes	0
ASHMORE GROUP PLC	Financials	FTSE 250		Yes		0
ASHTEAD GROUP PLC	Industrials	FTSE 250				1
ASSOCIATED BRIT.FDS.PLC	**Consumer goods**	**FTSE 100**		**Yes**		**3**
ASSURA GROUP LTD	Health care	FTSE All-Share		Yes		0
ASTRAZENECA PLC	Health care	FTSE 100		Yes		0
AUTONOMY CORP. PLC	Technology	FTSE 100		Yes		0
AVEVA GROUP PLC	Technology	FTSE 250		Yes		0
AVIS EUROPE PLC	Consumer services	FTSE All-Share		Yes		1
AVIVA PLC	**Financials**	**FTSE 100**		**Yes**		**3**
AXIS-SHIELD PLC	Health care	FTSE All-Share		Yes		0
BABCOCK INTL.GP.PLC	Industrials	FTSE 250		Yes		0
BAE SYSTEMS PLC	Industrials	FTSE 100		Yes		1
BALFOUR BEATTY PLC	Industrials	FTSE 100				1
BARCLAYS PLC	Financials	FTSE 100		Yes		0
BARRATT DEVS.PLC	Consumer goods	FTSE 250		Yes		0
BATM ADVANCED COMMUNICATIONS LTD	Technology	FTSE All-Share		Yes		0
BBA AVIATION PLC	Industrials	FTSE 250		Yes		0
BEAZLEY PLC	Financials	FTSE 250		Yes		0
BELLWAY PLC	Consumer goods	FTSE 250		Yes		0
BERKELEY GROUP HOLDINGS PLC	Consumer goods	FTSE 250		Yes		0
BG GROUP PLC	Oil & gas	FTSE 100		Yes		1

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BHP BILLITON PLC	Basic materials	FTSE 100	Yes	Yes	Yes	0
BIG YELLOW GROUP PLC	Financials	FTSE 250		Yes		1
BLOOMSBURY PBL.PLC	**Consumer services**	**FTSE All-Share**		**Yes**		**3**
BLUEBAY ASSET MANAGEMENT PLC	Financials	FTSE 250		Yes		0
BODYCOTE	Industrials	FTSE 250				0
BOOKER GROUP PLC	Consumer services	FTSE All-Share		Yes		0
BOVIS HOMES GROUP PLC	Consumer goods	FTSE 250		Yes		0
BP PLC	Oil & gas	FTSE 100		Yes		1
BRAEMAR SHIPPING SERVICES PLC	Industrials	FTSE All-Share				0
BRAMMER PLC	Industrials	FTSE All-Share		Yes		0
BREWIN DOLPHIN HDG.PLC	Financials	FTSE 250	Yes	Yes	Yes	0
BRIT INSURANCE HOLDINGS N.V.	Financials	FTSE 250		Yes		1
BRIT.POLYTHENE INDS.PLC	Industrials	FTSE All-Share		Yes		1
BRIT.SKY BCAST.GP.PLC	Consumer services	FTSE 100				0
BRITISH AIRWAYS PLC	Consumer services	FTSE 100		Yes		2
BRITISH AMERICAN TOBACCO PLC	Consumer goods	FTSE 100		Yes		1
BRITISH LAND CO. PLC	Financials	FTSE 100		Yes		1
BRITVIC PLC	Consumer goods	FTSE 250		Yes		0
BSS GROUP PLC	Industrials	FTSE 250		Yes		1
BT GROUP PLC	Telecommunications	FTSE 100				1
BTG PLC	Health care	FTSE 250		Yes		0
BUNZL PLC	Industrials	FTSE 100		Yes		0
BURBERRY GROUP PLC	Consumer goods	FTSE 250		Yes		0
BUSINESS POST GROUP PLC	Industrials	FTSE All-Share		Yes		1
CABLE & WIRELESS COMMUNICATIONS	Telecommunications	FTSE 100				0
CABLE & WIRELESS WORLDWIDE	Telecommunications	FTSE All-Share		Yes		0
CADOGAN PETROLEUM PLC	Oil & gas	FTSE All-Share		Yes		0

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CAIRN ENERGY PLC	Oil & gas	FTSE 100		Yes		1
CAMELLIA PLC	Financials	FTSE All-Share		Yes		0
CAPITA GROUP PLC	Industrials	FTSE 100		Yes		1
CAPITAL & REGIONAL PLC	Financials	FTSE All-Share		Yes		0
CARILLION PLC	Industrials	FTSE 250	Yes	Yes	Yes	0
CARNIVAL CORP	Consumer services	FTSE 100				0
CARPETRIGHT PLC	Consumer services	FTSE 250		Yes		0
CASTINGS PLC	Industrials	FTSE All-Share		Yes		0
CATLIN GROUP LTD	Financials	FTSE 250		Yes		1
CENTAUR MEDIA PLC	Consumer services	FTSE All-Share		Yes		1
CENTRICA PLC	Utilities	FTSE 100		Yes		0
CHARLES STANLEY GP.PLC	Financials	FTSE All-Share	Yes	Yes	Yes	0
CHARLES TAYLOR CNSL PLC	Financials	FTSE All-Share		Yes		0
CHARTER INTERNATIONAL PLC	**Industrials**	**FTSE 250**				**3**
CHAUCER HOLDINGS PLC	Financials	FTSE 250				0
CHEMRING GROUP PLC	**Industrials**	**FTSE 250**		**Yes**		**3**
CHESNARA PLC	Financials	FTSE All-Share	Yes	Yes	Yes	0
CHIME COMMS.PLC	Consumer services	FTSE All-Share		Yes		0
CHLORIDE GROUP PLC	Industrials	FTSE 250		Yes		0
CHRYSALIS PLC	Consumer services	FTSE All-Share		Yes		0
CINEWORLD GROUP PLC	Consumer services	FTSE All-Share		Yes		0
CLARKE (T) PLC	Industrials	FTSE All-Share		Yes		0
CLARKSON PLC	Industrials	FTSE All-Share		Yes		0
CLINTON CARDS PLC	Consumer services	FTSE All-Share		Yes		0
CLOSE BROTHERS GP.PLC	Financials	FTSE 250		Yes		0
CLS HOLDINGS PLC	Financials	FTSE All-Share		Yes		0
COBHAM PLC	Industrials	FTSE 100		Yes		0

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COLLINS STEWART PLC	Financials	FTSE All-Share		Yes		0
COLT TELECOM GROUP S.A	Telecommunications	FTSE 250		Yes		1
COMMUNISIS PLC	Industrials	FTSE All-Share		Yes		2
COMPASS GROUP PLC	Consumer services	FTSE 100		Yes		0
COMPUTACENTER (UK) LTD	Technology	FTSE 250		Yes		0
CONNAUGHT	Industrials	FTSE 250				0
CONSORT MEDICAL PLC	Health care	FTSE All-Share		Yes		1
COOKSON GROUP PLC	Industrials	FTSE 250		Yes		0
COSTAIN GROUP PLC	Industrials	FTSE All-Share				1
CRANSWICK PLC	Consumer goods	FTSE 250	Yes	Yes	Yes	0
CRODA INTERNATIONAL PLC	Basic materials	FTSE 250				0
CSR PLC	Technology	FTSE 250		Yes		1
DAEJAN HOLDINGS PLC	Financials	FTSE 250		Yes		0
DAILY MAIL & GENERAL TRUST PLC	Consumer services	FTSE 250		Yes		1
DAIRY CREST GROUP PLC	Consumer goods	FTSE 250		Yes		0
DANA PETROLEUM PLC	Oil & gas	FTSE 250		Yes		0
DAVIS SERVICE GROUP PLC	Industrials	FTSE 250		Yes		0
DE LA RUE PLC	Industrials	FTSE 250		Yes		1
DEBENHAMS PLC	**Consumer services**	**FTSE 250**		**Yes**		**3**
DECHRA PHARMS.PLC	Health care	FTSE 250		Yes		0
DERWENT LONDON PLC	Financials	FTSE 250		Yes		0
DEVELOPMENT SECS.PLC	Financials	FTSE All-Share		Yes		0
DEVRO PLC	Consumer goods	FTSE All-Share		Yes		0
DIAGEO PLC	Consumer goods	FTSE 100		Yes		0
DIGNITY PLC	Consumer services	FTSE 250		Yes		0
DIMENSION DATA HDG.PLC	Technology	FTSE 250		Yes		0
DIPLOMA PLC	Industrials	FTSE All-Share		Yes		0

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DOMINO PRINT.SCIS.PLC	Industrials	FTSE 250		Yes		0
DOMINO'S PIZZA UK&IR PLC	Consumer services	FTSE 250	Yes			0
DRAX GROUP PLC	Utilities	FTSE 100		Yes		0
DSGI BUSINESS	Consumer services	FTSE 250				0
DTZ HOLDINGS PLC	Financials	FTSE All-Share		Yes		0
DUNELM GROUP PLC	Consumer services	FTSE 250		Yes		1
E2V TECHNOLOGIES PLC	Industrials	FTSE All-Share		Yes		0
EAGA PLC	Industrials	FTSE 250		Yes		0
EASYJET PLC	Consumer services	FTSE 250		Yes		0
ELECTROCOMPONENTS PLC	**Industrials**	**FTSE 250**		**Yes**		**3**
ELEMENTIS PLC	**Basic materials**	**FTSE All-Share**		**Yes**		**3**
EMBLAZE LTD	Technology	FTSE All-Share				0
ENTERPRISE INNS PLC	Consumer services	FTSE 250		Yes		0
EURASIAN NATURAL RESOURCES CORP. PLC	Basic materials	FTSE 100		Yes		0
EUROMONEY INSTL.INVR.PLC	Consumer services	FTSE 250		Yes		0
EVOLUTION GROUP PLC	Financials	FTSE 250		Yes		0
EXPERIAN PLC	Industrials	FTSE 100		Yes		1
F&C ASSET MAN.PLC	Financials	FTSE 250		Yes		0
FENNER PLC	Industrials	FTSE All-Share		Yes		0
FERREXPO PLC	Basic materials	FTSE 250		Yes		2
FIBERWEB PLC	Industrials	FTSE All-Share		Yes		0
FIDESSA GROUP PLC	Technology	FTSE 250		Yes		0
FILTRONA PLC	Industrials	FTSE 250		Yes		0
FINDEL PLC	Consumer services	FTSE All-Share				1
FIRST GROUP PLC	Consumer services	FTSE 250	Yes			0
FORTH PORTS PLC	Industrials	FTSE 250		Yes		0
FORTUNE OIL PLC	Oil & gas	FTSE All-Share		Yes		2

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FRENCH CONNECTN.GP.PLC	Consumer services	FTSE All-Share		Yes		0
FRESNILLO PLC	Basic materials	FTSE 100		Yes		0
FULLER, SMITH & TURNER PLC	Consumer services	FTSE All-Share		Yes		0
FUTURE PLC	Consumer services	FTSE All-Share		Yes		1
G4S PLC	Industrials	FTSE 100		Yes		1
GALIFORM PLC	Industrials	FTSE All-Share		Yes		1
GALLIFORD TRY PLC	Industrials	FTSE All-Share		Yes		0
GAME GROUP PLC	Consumer services	FTSE 250		Yes		0
GARTMORE GROUP	Financials	FTSE All-Share		Yes		0
GEM DIAMONDS LTD	Basic materials	FTSE All-Share		Yes		1
GENUS PLC	Health care	FTSE 250		Yes		0
GKN PLC	Consumer goods	FTSE 250		Yes		0
GLAXOSMITHKLINE PLC	Health care	FTSE 100		Yes		1
GLEESON (MJ) GROUP PLC	Industrials	FTSE All-Share		Yes		0
GO-AHEAD GROUP PLC	Consumer services	FTSE 250		Yes		1
GOLDENPORT HOLDINGS INC	Industrials	FTSE All-Share		Yes		0
GOODWIN PLC	Industrials	FTSE All-Share		Yes		0
GRAINGER PLC	Financials	FTSE All-Share				0
GREAT PORTLAND ESTATES PLC	Financials	FTSE 250		Yes		0
GREENE KING PLC	Consumer services	FTSE 250		Yes		2
GREGGS PLC	Consumer services	FTSE 250		Yes		0
HALFORDS GROUP PLC	Consumer services	FTSE 250		Yes		0
HALMA PLC	Industrials	FTSE 250		Yes		0
HAMMERSON PLC	Financials	FTSE 100		Yes		0
HAMPSON INDUSTRIES PLC	Industrials	FTSE All-Share		Yes		0
HANSARD GLOBAL PLC	Financials	FTSE 250		Yes		0
HANSEN TRANSMISSIONS INTERNATIONAL N.V.	Oil & gas	FTSE All-Share		Yes		0

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HANSTEEN HOLDINGS	Financials	FTSE All-Share		Yes		0
HARDYOIL & GAS PLC	Oil & gas	FTSE All-Share		Yes		0
HARDY UNDERWRITING BERMUDA LTD	Financials	FTSE All-Share	Yes	Yes	Yes	0
HARGREAVES LANSDOWN PLC	Financials	FTSE 250	Yes	Yes	Yes	0
HAYS PLC	Industrials	FTSE 250		Yes		0
HEADLAM GROUP PLC	Consumer goods	FTSE All-Share		Yes		0
HELICAL BAR PLC	Financials	FTSE 250		Yes		0
HELPHIRE GROUP PLC	Financials	FTSE All-Share		Yes		0
HENDERSON GROUP PLC	Financials	FTSE 250		Yes		1
HERITAGE OIL	Oil & gas	FTSE 250		Yes		0
HIKMA PHARMS.PLC	Health care	FTSE 250		Yes		0
HILL & SMITH HDG.PLC	Industrials	FTSE All-Share		Yes		0
HILTON FOOD GROUP PLC	Consumer goods	FTSE All-Share		Yes		0
HISCOX LTD	Financials	FTSE 250		Yes		0
HMV GROUP PLC	Consumer services	FTSE 250		Yes		0
HOCHSCHILD MINING PLC	Basic materials	FTSE 250		Yes		0
HOGG ROBINSON GROUP PLC	Industrials	FTSE All-Share		Yes		0
HOLIDAYBREAK PLC	Consumer services	FTSE All-Share		Yes		1
HOME RETAIL GROUP PLC	Consumer services	FTSE 100		Yes		2
HOMESERVE PLC	Industrials	FTSE 250		Yes		1
HORNBY PLC	Consumer goods	FTSE All-Share		Yes		0
HSBC HOLDINGS PLC	Financials	FTSE 100	Yes			0
HUNTING PLC	Oil & gas	FTSE 250		Yes		0
HYDER CONSULTING LTD	Industrials	FTSE All-Share		Yes		1
ICAP PLC	Financials	FTSE 100		Yes		1
ICTL.HTLS.GP.PLC	Consumer services	FTSE 100		Yes		0
IG GROUP HOLDINGS PLC	Financials	FTSE 250	Yes			1

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IMAGINATION TECHS.GP.PLC	Technology	FTSE All-Share					0
IMI PLC	Industrials	FTSE 250		Yes			1
IMPERIAL TOBACCO GP.PLC	Consumer goods	FTSE 100		Yes			0
INCHCAPE PLC	Consumer services	FTSE 250		Yes			0
INFORMA PLC	Consumer services	FTSE 250		Yes			0
INMARSAT PLC	Telecommunications	FTSE 100		Yes			1
INNOVATION GROUP PLC	Technology	FTSE All-Share					0
INTEC TELECOM SYS.PLC	Technology	FTSE All-Share					0
INTERMEDIATE CAP.GP.PLC	Financials	FTSE 250		Yes			0
INTERNATIONAL FERRO METALS LTD	Basic materials	FTSE All-Share	Yes				1
INTERNATIONAL PERSONAL FINANCE PLC	Financials	FTSE 250		Yes			0
INTERNATIONAL POWER PLC	Utilities	FTSE 100		Yes			1
INTERSERVE	Industrials	FTSE 250		Yes			1
INTERTEK GROUP PLC	Industrials	FTSE 100		Yes			0
INVENSYS PLC	**Technology**	**FTSE 100**		**Yes**			**3**
INVESTEC PLC	Financials	FTSE 250		Yes			0
INVISTA FOUNDATION PROPERTY TRUST LTD	Financials	FTSE All-Share		Yes			0
IP GROUP PLC	Financials	FTSE All-Share		Yes			0
ISIS PROPERTY TRUST LD	Financials	FTSE All-Share		Yes			0
ITE GROUP PLC	Consumer services	FTSE All-Share		Yes			0
ITV PLC	Consumer services	FTSE 250		Yes			0
J SAINSBURY PLC	Consumer services	FTSE 100		Yes			0
J.D. WETHERSPOON PLC	Consumer services	FTSE 250		Yes			0
JAMES FISHER & SONS PLC	Industrials	FTSE 250		Yes			0
JARDINE LLOYD THOMPSON GROUP PLC	Financials	FTSE 250		Yes			0
JD SPORTS FASHION PLC	Consumer services	FTSE All-Share		Yes			0
JJB SPORTS PLC	Consumer services	FTSE All-Share		Yes			0

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JKX OIL AND GAS PLC	Oil & gas	FTSE 250		Yes		0
JOHNSON MATTHEY PLC	**Basic materials**	**FTSE 100**		**Yes**		**3**
JOHNSTON PRESS PLC	Consumer services	FTSE All-Share		Yes		1
KAZAKHMYS PLC	**Basic materials**	**FTSE 100**		**Yes**		**3**
KCOM GROUP PLC	Telecommunications	FTSE All-Share				2
KELLER GROUP PLC	Industrials	FTSE 250		Yes		0
KESA ELECTRICALS PLC	Consumer services	FTSE 250		Yes		0
KEWILL PLC	Technology	FTSE All-Share		Yes		0
KIER GROUP PLC	Industrials	FTSE 250		Yes		0
KINGFISHER PLC	Consumer services	FTSE 100		Yes		0
KOFAX PLC	Technology	FTSE All-Share		Yes		0
LADBROKES PLC	Consumer services	FTSE 250		Yes		0
LAIRD PLC	Industrials	FTSE All-Share		Yes		0
LAMPRELL PLC	Oil & gas	FTSE All-Share		Yes		0
LANCASHIRE HOLDINGS LTD	Financials	FTSE All-Share		Yes		0
LAND SECURITIES GP.PLC	Financials	FTSE 100		Yes		0
LAVENDON GROUP PLC	Industrials	FTSE All-Share	Yes	Yes	Yes	0
LEGAL & GENERAL GP.PLC	Financials	FTSE 100				0
LIBERTY INTL.PLC	Financials	FTSE 100		Yes		0
LLOYDS BANKING GROUP PLC	Financials	FTSE 100		Yes		0
LLOGICACMG UK LTD	Technology	FTSE 250		Yes		1
LONDON STOCK EX.GP.PLC	**Financials**	**FTSE 250**		**Yes**		**3**
LONMIN PLC	**Basic materials**	**FTSE 100**		**Yes**		**3**
LOOKERS PLC	Consumer services	FTSE All-Share		Yes		0
LOW & BONAR PLC	Industrials	FTSE All-Share		Yes		0
LSL PROPERTY SVS.PLC	Financials	FTSE All-Share		Yes		0
LUMINAR GROUP HDG.PLC	Consumer services	FTSE All-Share		Yes		0

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MAN GROUP PLC	Financials	FTSE 100		Yes		0
MANAGEMENT CNSL.GP.PLC	Industrials	FTSE All-Share		Yes		0
MARKS & SPENCER GROUP PLC	Consumer services	FTSE 100	Yes	Yes	Yes	1
MARSHALLS PLC	Industrials	FTSE All-Share		Yes		0
MARSTON'S PLC	Consumer services	FTSE 250		Yes		1
MCBRIDE PLC	Consumer goods	FTSE 250		Yes		0
MCKAY SECURITIES PLC	Financials	FTSE All-Share		Yes		0
MEARS GROUP PLC	Industrials	FTSE All-Share		Yes		0
MECOM GROUP PLC	Consumer services	FTSE All-Share		Yes		0
MEGGITT PLC	**Industrials**	**FTSE 250**		**Yes**		**3**
MELROSE PLC	Industrials	FTSE 250		Yes		0
MELROSE RESOURCES PLC	Oil & gas	FTSE 250		Yes		2
MENZIES (JOHN) PLC	Industrials	FTSE All-Share		Yes		0
MICHAEL PAGE UK LIMITED	Industrials	FTSE 250		Yes		0
MICRO FOCUS INTL.PLC	Technology	FTSE 250		Yes		0
MINERVA PLC	Financials	FTSE All-Share		Yes		0
MISYS PLC	Technology	FTSE 250		Yes		0
MITCHELLS & BUTLERS PLC	Consumer services	FTSE 250	Yes			0
MITIE GROUP PLC	**Industrials**	**FTSE 250**		**Yes**		**3**
MLLM.& CPTH.HTLS.PLC	Consumer services	FTSE 250		Yes		0
MONDI PLC	Basic materials	FTSE 250		Yes		1
MONEYSUPERMARKET.COM GROUP PLC	Consumer services	FTSE 250		Yes		0
MORGAN CRUCIBLE CO. PLC	Industrials	FTSE 250		Yes		0
MORGAN SINDALL PLC	Industrials	FTSE 250		Yes		1
MOTHERCARE PLC	Consumer services	FTSE 250		Yes		0
MOUCHEL GROUP PLC	Industrials	FTSE 250		Yes		0
MWB GROUP HOLDINGS	Financials	FTSE All-Share		Yes		0

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N. BROWN GROUP PLC	Consumer services	FTSE 250		Yes		0
NAMAKWA DIAMONDS LTD	Basic materials	FTSE All-Share				0
NATIONAL EXPRESS GP.PLC	Consumer services	FTSE 250		Yes		0
NATIONAL GRID PLC	Utilities	FTSE 100	Yes	Yes	Yes	1
NCC GROUP PLC	Technology	FTSE All-Share		Yes		0
NEW FCPT LD	Financials	FTSE All-Share		Yes		0
NEXT PLC	Consumer services	FTSE 100		Yes		0
NORTHERN FOODS PLC	Consumer goods	FTSE 250				1
NORTHGATE	Industrials	FTSE All-Share		Yes		0
NORTHUMBRIAN WATER GROUP PLC	Utilities	FTSE 250		Yes		0
NOVAE GROUP PLC	Financials	FTSE 250		Yes		0
OLD MUTUAL PLC	Financials	FTSE 100		Yes		0
OPTOS PLC	Health care	FTSE All-Share		Yes		0
OXFORD BIOMEDICA PLC	Health care	FTSE All-Share		Yes		0
OXFORD INSTRUMENTS PLC	Industrials	FTSE All-Share		Yes		0
PACE PLC	Technology	FTSE 250				0
PARAGON GROUP OF COMPANIES PLC	**Financials**	**FTSE All-Share**		**Yes**		**3**
PARTYGAMING PLC	Consumer services	FTSE 250		Yes		0
PAYPOINT PLC	Industrials	FTSE 250	Yes	Yes	Yes	2
PEARSON PLC	Consumer services	FTSE 100				0
PENDRAGON PLC	Consumer services	FTSE All-Share		Yes		0
PENNON GROUP PLC	Utilities	FTSE 100		Yes		1
PERSIMMON PLC	Consumer goods	FTSE 250				0
PETROFAC LTD	Oil & gas	FTSE 100		Yes		1
PETROPAVLOVSK PLC	Basic materials	FTSE 250		Yes		0
PHOENIX IT GROUP PLC	Technology	FTSE All-Share		Yes		0
PHOTO-ME INTL.PLC	Consumer goods	FTSE All-Share		Yes		0

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PREMIER FARNELL PLC	Industrials	FTSE 250		Yes		2
PREMIER FOODS PLC	Consumer goods	FTSE 250		Yes		0
PREMIER OIL PLC	Oil & gas	FTSE 250		Yes		0
PRIMARY HLTH.PROPS.PLC	Financials	FTSE All-Share	Yes	Yes	Yes	0
PROSTRAKAN GROUP PLC	Health care	FTSE All-Share		Yes		0
PROVIDENT FINANCIAL PLC	Financials	FTSE 250		Yes		0
PRUDENTIAL	Financials	FTSE 100		Yes		0
PSION PLC	Technology	FTSE All-Share		Yes		0
PUNCH TAVERNS PLC	Consumer services	FTSE All-Share		Yes		0
PV CRYSTALOX SOLAR PLC	Oil & gas	FTSE 250		Yes		0
PZ CUSSON PLC	Consumer goods	FTSE 250		Yes		0
QINETIQ GROUP PLC	Industrials	FTSE 250		Yes		0
QUINTAIN ESTATES & DEVELOPMENT PLC	Financials	FTSE All-Share		Yes		0
RANDGOLD RESOURCES LTD	Basic materials	FTSE 100				1
RANK GROUP PLC	Consumer services	FTSE 250		Yes		0
RATHBONE BROTHERS PLC	Financials	FTSE 250		Yes		0
REA HOLDINGS PLC	Consumer goods	FTSE All-Share		Yes		0
REAL ESTATE OPPS.LTD	Financials	FTSE All-Share		Yes		0
RECKITT BENCKISER GROUP PLC	Consumer goods	FTSE 100		Yes		0
REDROW PLC	Consumer goods	FTSE 250		Yes		0
REED ELSEVIER N.V.	Consumer services	FTSE 100				0
REGUS PLC	Industrials	FTSE 250		Yes		0
RENISHAW PLC	Industrials	FTSE 250				0
RENOVO GROUP PLC	Health care	FTSE All-Share		Yes		0
RENSBURG SHEPPARDS PLC	Financials	FTSE All-Share		Yes		0
RENTOKIL INITIAL PLC	Industrials	FTSE 250		Yes		1
RESOLUTION PLC	Financials	FTSE All-Share		Yes		0

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RESTAURANT GROUP PLC	Consumer services	FTSE 250		Yes		0
REXAM PLC	Industrials	FTSE 100		Yes		1
RICARDO PLC	Industrials	FTSE All-Share		Yes		0
RIGHTMOVE PLC	Consumer services	FTSE 250		Yes		0
RIO TINTO LTD	Basic materials	FTSE 100		Yes		2
RM EDUCATION PLC	Technology	FTSE All-Share		Yes		0
ROBERT WALTERS OPERATIONS LTD	Industrials	FTSE All-Share	Yes	Yes	Yes	0
ROBERT WISEMAN DRS.PLC	Consumer goods	FTSE 250		Yes		1
ROK PLC	Industrials	FTSE All-Share		Yes		0
ROLLS-ROYCE GROUP PLC	Industrials	FTSE 100		Yes		0
ROTORK PLC	Industrials	FTSE 250		Yes		0
ROYAL BANK OF SCOTLAND GROUP PLC	Financials	FTSE 100		Yes		0
ROYAL DUTCH SHELL PLC (CL B)	Oil & gas	FTSE 100		Yes		1
RPC GROUP PLC	Industrials	FTSE All-Share		Yes		0
RPS GROUP PLC	Industrials	FTSE 250		Yes		1
RSA INSURANCE GROUP PLC	**Financials**	**FTSE 100**		**Yes**		**3**
SABMILLER PLC	Consumer goods	FTSE 100		Yes		0
SAFESTORE HOLDINGS PLC	Financials	FTSE All-Share		Yes		0
SAGE GROUP PLC	Technology	FTSE 100		Yes		1
SALAMANDER ENERGY PLC	Oil & gas	FTSE 250		Yes		1
SAVILLS PLC	Financials	FTSE 250		Yes		0
SCHRODERS PLC VTG	Financials	FTSE 100		Yes		0
SCOTT WILSON GROUP PLC	Industrials	FTSE All-Share		Yes		0
SCOTTISH & SOUTHERN ENERGY PLC	**Utilities**	**FTSE 100**		**Yes**		**3**
SDL PLC	Technology	FTSE 250	Yes			0
SEGRO PLC	Financials	FTSE 250		Yes		2
SENIOR PLC	**Industrials**	**FTSE All-Share**	**Yes**	**Yes**	**Yes**	**3**

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SEPURA PLC	Technology	FTSE All-Share		Yes			0
SERCO GROUP PLC	Industrials	FTSE 100		Yes			1
SEVERFIELD-ROWEN PLC	Industrials	FTSE All-Share		Yes			0
SEVERN TRENT PLC	Utilities	FTSE 100		Yes			0
SHAFTESBURY PLC	Financials	FTSE 250		Yes			0
SHANKS GROUP PLC	Industrials	FTSE All-Share		Yes			0
SHIRE PLC	Health care	FTSE 100		Yes			0
SIG PLC	Industrials	FTSE All-Share		Yes			2
SMITH & NEPHEW PLC	Health care	FTSE 100		Yes			2
SMITH (DS) PLC	**Industrials**	**FTSE 250**		**Yes**			**3**
SMITHS GROUP PLC	Industrials	FTSE 100		Yes			0
SMITHS NEWS PLC	Industrials	FTSE All-Share		Yes			1
SOCO INTERNATIONAL PLC	Oil & gas	FTSE 250		Yes			0
SOUTHERN CROSS HEALTH CARE-FORMERLY LIFESTYLE PLC	Health care	FTSE All-Share		Yes			2
SPECTRIS PLC	Industrials	FTSE 250		Yes			0
SPEEDY HIRE PLC	Industrials	FTSE All-Share		Yes			0
SPICE PLC	Industrials	FTSE All-Share					0
SPIRAX-SARCO ENGR.PLC	Industrials	FTSE 250		Yes			1
SPIRENT COMMS.PLC	Technology	FTSE 250		Yes			0
SPORTECH PLC	Consumer services	FTSE All-Share		Yes			0
SPORTS DIRECT INTERNATIONAL PLC	Consumer services	FTSE 250		Yes			1
SSL INTERNATIONAL PLC	Consumer goods	FTSE 250		Yes			0
ST MODWEN DEVELOPEMENTS LTD	Financials	FTSE All-Share		Yes			0
ST.IVES PLC	Industrials	FTSE All-Share		Yes			0
ST.JAMES'S PLACE PLC	Financials	FTSE 250		Yes			2
STAGECOACH GROUP PLC	Consumer services	FTSE 250	Yes	Yes	Yes		0
STANDARD LIFE PLC	Financials	FTSE 100		Yes			0

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STD.CHARTERED PLC	Financials	FTSE 100	Yes	Yes	Yes	1
STHREE PLC	Industrials	FTSE 250		Yes		1
STOBART GROUP LTD	Industrials	FTSE 250		Yes		0
SYNERGY HEALTH PLC	Health care	FTSE 250		Yes		0
TALKTALK TELECOM GROUP	Telecommunications	FTSE All-Share		Yes		0
TATE & LYLE PLC	Consumer goods	FTSE 250		Yes		0
TAYLOR WIMPEY PLC	Consumer goods	FTSE 250		Yes		0
TED BAKER PLC	Consumer services	FTSE All-Share		Yes		0
TELECITY GROUP PLC	Technology	FTSE 250		Yes		0
TELECOM PLUS PLC	Telecommunications	FTSE 250		Yes		0
TESCO PLC	Consumer services	FTSE 100		Yes		0
THOMAS COOK GROUP PLC	Consumer services	FTSE 100		Yes		0
THORNTONS PLC	Consumer services	FTSE All-Share		Yes		0
TOMKINS PLC	Industrials	FTSE 250	Yes	Yes	Yes	0
TOPPS TILES PLC	Consumer services	FTSE All-Share		Yes		0
TOWN CENTRE SECS.PLC	Financials	FTSE All-Share	Yes	Yes	Yes	0
TRAVIS PERKINS PLC	**Industrials**	**FTSE 250**		**Yes**		**3**
TRIBAL GROUP PLC	Industrials	FTSE All-Share		Yes		0
TRINITY MIRROR PLC	**Consumer services**	**FTSE All-Share**		**Yes**		**3**
TT ELECTRONICS PLC	Industrials	FTSE All-Share		Yes		0
TUI TRAVEL PLC	Consumer services	FTSE 100				1
TULLETT PREBON PLC	Financials	FTSE 250		Yes		0
TULLOW OIL PLC	Oil & gas	FTSE 100		Yes		0
UK COAL PLC	Basic materials	FTSE All-Share	Yes	Yes	Yes	0
ULTRA ELT.HDG.PLC	Industrials	FTSE 250		Yes		0
UMECO PLC	Industrials	FTSE All-Share		Yes		0
UNILEVER N.V.	Consumer goods	FTSE 100		Yes		0

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UNITE GROUP PLC	Financials	FTSE All-Share	Yes	Yes	Yes		1
UNITED BUSINESS MEDIA LTD	Consumer services	FTSE 250	Yes	Yes	Yes		0
UNITED UTILITIES GROUP PLC	Utilities	FTSE 100		Yes			1
UTV MEDIA PLC	Consumer services	FTSE All-Share		Yes			2
VECTURA GROUP PLC	Health care	FTSE 250		Yes			0
VEDANTA RESOURCES PLC	Basic materials	FTSE 100		Yes			0
VICTREX PLC	Basic materials	FTSE 250		Yes			0
VITEC GROUP PLC	Industrials	FTSE All-Share					1
VODAFONE GROUP PLC	Telecommunications	FTSE 100					1
VP PLC	Industrials	FTSE All-Share		Yes			1
VT GROUP PLC	**Industrials**	**FTSE 250**					**3**
WEIR GROUP PLC	Industrials	FTSE 250		Yes			0
WELLSTREAM HOLDINGS PLC	Oil & gas	FTSE 250		Yes			0
WH SMITH PLC	Industrials	FTSE 250		Yes			0
WHITBREAD PLC	Consumer services	FTSE 100		Yes			0
WICHFORD PLC	Financials	FTSE All-Share		Yes			0
WILLIAM HILL PLC	Consumer services	FTSE 250		Yes			0
WILMINGTON GROUP PLC	Consumer services	FTSE All-Share		Yes			0
WINCANTON PLC	Industrials	FTSE All-Share					0
WM. MORRISON SUPERMARKETS PLC	Consumer services	FTSE 100		Yes			1
WOLFSON MICROELS.PLC	Technology	FTSE All-Share	Yes	Yes	Yes		0
WOLSELEY PLC	**Industrials**	**FTSE 250**		**Yes**			**3**
WOOD GROUP (JOHN) PLC	Oil & gas	FTSE 250		Yes			0
WORKSPACE GROUP PLC	Financials	FTSE All-Share		Yes			2
WPP PLC	Consumer services	FTSE 100					1
WS ATKINS PLC	Industrials	FTSE 250		Yes			1
WSP GROUP PLC	Industrials	FTSE All-Share		Yes			1

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XCHANGING PLC	Industrials	FTSE 250	Yes	Yes	Yes		1
XP POWER LTD	Industrials	FTSE All-Share		Yes			0
XSTRATA PLC	Basic materials	FTSE 100		Yes			2
YELL GROUP PLC	Consumer services	FTSE All-Share		Yes			0
YULE CATTO & CO.PLC	**Basic materials**	**FTSE All-Share**		**Yes**			**3**

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Trucost was established in 2000, to help organisations, investors and governments understand and quantify the environmental impacts of business activities.
Over the past 10 years Trucost has collected, researched and validated environmental data from organisations across the world. The result is the world's most comprehensive data on corporate environmental impacts, including greenhouse gases (GHGs), water waste and air pollution.

This enables our clients to access:

- The most efficient approach to measuring GHG emissions and wider environmental impacts across organisations, supply chains and investment portfolios;
- Clear identification of prioritised focus areas for reducing environmental impacts;
- Validation of source data, including completion of gaps in data which are not currently being tracked or reported on;
- Comparison of environmental performance against peers, sectors and investment benchmarks;
- The ability to create environmentally-oriented investment products.

For more information, visit **www.trucost.com**

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Endnotes

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[67] *See above – note 61*
[68] Reporting on liabilities under IAS 37 is currently being updated, www.iasplus.com/agenda/1006.htm

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