Environmental disclosures

First 100 FTSE All-Share companies to report under the new Company Law reporting requirements

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New era in corporate reporting

In 2004 we commissioned Trucost to conduct the first ever study of the environmental disclosures made by 570 FTSE All-Share companies. It was intended as a baseline study before the new requirement for an Operating Financial Review (OFR) came into effect. The 2004 report showed that although 89 per cent of the companies made some reference to the environment, there was little or no meaningful quantified information for shareholders and investors to make decisions.

Howard Pearce

Howard Pearce

Head of Environmental Finance and Pension Fund Management

Environment Agency

Since our 2004 study the reporting framework has moved on. The Government abolished the OFR requirement. However, the EU Accounts Modernisation Directive is now in force and requires public companies to report on relevant environmental issues using key performance indicators in the Business Review. Furthermore, the Companies Bill, currently making its way through Parliament, will require that directors' general duties include the impact of the company's operations on the community and the environment. In January 2006 Defra published Government guidelines for company reporting using environmental key performance indicators.

This 2006 report examines the first 100 annual reports and accounts produced by FTSE All-Share companies under this new reporting regime. Interestingly, 43 per cent of these still chose to produce an OFR as opposed to the 37 per cent who undertook to include a Business Review. Five companies did both. Twenty-five did not produce a separate section clearly labelled OFR or Business Review.

Sadly, no matter where the disclosures were made, the level of quantified disclosures was still woefully low. Hard facts and figures were still too few and far between. This is despite energy costs and climate change and other environmental issues having growing financial significance for business.

We will continue to look at the annual reports and accounts of all the FTSE All-Share companies as they are published during 2006/07. We urge these companies to follow Government guidelines and the best examples in this report – to set high standards for others to follow.

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About the authors

TRUCOST
taking the environment into account

Trucost Plc is an environmental research company, which helps companies and investors understand the environmental impacts of business activities in financial terms.

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A snapshot of environmental reporting in 2006

This study reveals that the environment has found its way into most annual reports and accounts. This is good news. However, we should not be complacent: there is a long way to go. Hard facts and figures are still few and far between. Most annual reports and accounts do not yet give us relevant, comparable figures in which decision-makers can have confidence.

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What follows is a snapshot of the situation in 2006, a year in which the new Accounts Modernisation Directive should start to bring changes to the way companies report on environmental issues. The study looks at the first 100 companies in the FTSE All-Share to produce annual reports and accounts under the new regime.

An ongoing programme of review

This 2006 study shows what changes can be seen so far. It looks in particular at Business Reviews. Business Reviews must include, where appropriate, the disclosure of key performance indicators for the environment. January 2006 saw the publication of Government Guidelines on such indicators. The study also sheds light on companies' responses to other relevant EU initiatives, such as the EU Emissions Trading Scheme, and considers the Environmental Liability Directive and EU Commission's recommendations on annual reports and accounts.

This study updates a report produced by the Environment Agency[1] in 2004. That report provided a baseline of the environmental disclosures of FTSE All-Share companies prior to the new company law requirement for an Operating and Financial Review (OFR). Although the OFR has been repealed these companies must still fulfil the obligations of the Business Review regulations which apply to all public companies.

We will look again at the FTSE All-Share companies once they are all reporting under the new regulations during 2007.

The main findings

Some things have improved since 2004:

- **There is evidence that there is more environmental reporting.** However much environmental reporting is still at a very basic level – it may be just a one-word mention of a key phrase that this study was designed to identify. (Ninety six per cent of the companies referred to the environment in 2006, compared to 89 per cent in 2004.)
- **There has been an increase in the level of quantified disclosures.** Nearly half of the companies surveyed provided statistics and figures. However only 21 per cent provided quantified disclosures to enable meaningful comparisons between the environmental performance of companies.
- **Eighty three per cent of the companies reported on just one topic out of water, waste, and energy use / climate change.** Twenty six per cent reported on all three topics. (In 2004 the figures were 58 per cent and 10 per cent respectively.)
- **Thirty three per cent of companies have made environmental disclosures in the audited sections of their annual report and accounts and 41 per cent made disclosures in either their OFR, Business Review or Director's Report that are subject to auditor review for consistency with the audited sections.** This is a big increase compared with 2004, when just 12 per cent of companies made environmental disclosures in audited sections.
- **Twenty five did not a produce separate section clearly labelled OFR or Business Review.**

Some things have not changed since the 2004 report:

- **Very few disclosures are comprehensive** or enable shareholders to assess the environmental risks or opportunities facing a company.
- **Only 16 companies made a disclosure in accordance with Government guidance,** that is a disclosure which is an absolute quantitative figure that applies to the whole company. Only this level of disclosure allows an accurate assessment of a company's environmental impacts and enable comparison.
- **Waste management:** 67 companies report on this but only 20 disclose quantitative information of any kind.
- **Climate change or energy use:** 61 companies report on this but only 37 disclose quantitative information of any kind.
- **Water use:** 38 companies discuss this but only nine do so quantitatively.
- **Five companies** give absolute figures for waste, CO_2 emissions and water use. They were:
  - Emap PLC
  - Johnson Matthey PLC
  - Invensys PLC
  - Scottish Power PLC
  - Scottish and Southern Energy PLC

Table 1 sets out the environmental topics that were disclosed by the most companies.

Thirty seven of the 100 companies surveyed produced a Business Review and 43 included an Operating and Financial Review (OFR). Five companies had both a Business Review and an OFR. We look at this in greater detail in *Assessing what is reported* on page 20.

The first 100 – a representative sample

This study looked at the first 100 companies in the FTSE All-Share to produce annual reports and accounts under the EU Accounts Modernisation Directive. These are all companies with a financial year end from 31 March 2006 onwards, when the Directive came into effect. There was no selection process: the companies were self-selected by date.

However, the first 100 are in fact representative of the whole FTSE All-Share – both by sector and in size as illustrated by Figure 1 below.

Figure 1 **The first 100 compared to the total FTSE index by market cap**

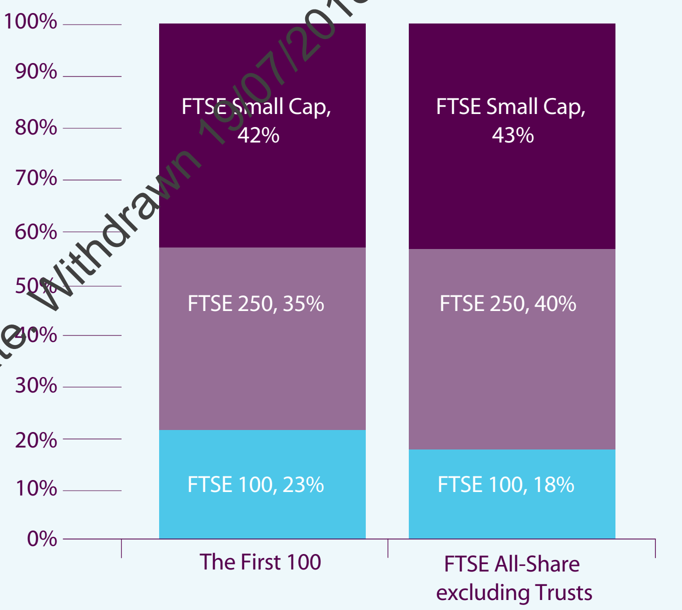

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Table 1 **Environmental topics and frequency of environmental disclosures**

Topic	Number of Companies
Waste Management	67
Energy	51
Climate Change	61
Compliance	47
Sustainability/CSR	47
Pollution	46
Water	38
Environmental Target	37
Biodiversity/Land Use	36
EMS	34
Environmental Policy	32
Environmental Procurement	28
Remediation	26
Other Environmental Impacts	21
Environmental Risk Management	18
Environmental Incident	13

Overview

We looked at the first 100 companies in the FTSE All-Share to produce annual reports and accounts under the 'Business Review' requirement of the EU Accounts Modernisation Directive.

- 96 companies discuss how they interact with the environment in their annual reports and accounts.
- 83 report on water, or waste, or energy use/climate change.
- Only 26 report on all three subjects. Of these, seven provide some figures for all three subjects.
- 48 put figures to their disclosures but only 26 of these did so in an audited section.
- Four provide information from which quantified data can be derived and 16 provide absolute quantification.
- Only six companies link environmental issues to financial performance or shareholder value.
- 37 include a Business Review and 43 include an Operating and Financial Review – five companies produce both.
- 20 out of the 37 companies discuss the environment in their Business Review. Twenty nine out of the 43 companies discuss the environment in their OFR.
- 25 companies have neither an OFR nor a Business Review section.
- 67 companies discuss waste. Of these, only 20 give any figures.
- 61 companies discuss climate change or energy use. Of these, 37 provide figures.
- 38 companies discuss water. Of these, only nine give any figures.
- 15 companies disclose CO_2 emissions in absolute levels and 37 give some figures for energy/CO_2 emissions/savings.
- Eight companies give absolute figures for waste.
- Six companies give absolute figures for water use.
- Five companies give absolute figures for waste, CO_2 emissions and water use.

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What needs to happen

The environment has found its way into most annual reports and accounts. However, facts and figures are few and far between. Most annual reports and accounts do not yet meet the UK Government Guidelines for environment reporting: they do not give us relevant, comparable figures on which shareholders and investors can rely.

The fact remains that only 16 companies make a disclosure which, using an absolute quantitative figure that applies to the whole company, is in accordance with Government Guidelines. Yet the new Business Review legislation states that companies ***'must, to the extent necessary for an understanding of the development, performance and position of the business of the company, include analysis using financial key performance indicators, and where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employees'.***

It is difficult to see how shareholders, investors and other stakeholders can judge the environmental performance of companies unless they have this form of quantified data with which to make comparisons.

The UK Government has published guidelines: *Environmental Key Performance Indicators – Reporting Guidelines for UK Business*[2]. The UK favours a 'comply or explain' approach and the Guidelines are voluntary.

The UK Government must make it clear that environmental reporting is now a permanent fixture in company reporting and that the Government Guidelines, published by Department for Environment, Food and Rural Affairs (Defra) in January 2006, are a good place to start. The Environment Agency target is that 95 per cent of FTSE All-Share companies will disclose quantified information on their environmental impacts.

A standard structure for annual reports and accounts would help readability and comparability. The present naming convention within annual reports and accounts is confused. Forty three companies have a section called an Operating and Financial Review; 37 include a Business Review. Five companies have both an OFR and a Business Review. Others go for an Operating Review or Directors' Report. All this makes it harder for readers to navigate annual reports and accounts. The Companies Bill and the International Accounting Standards Board work on Management Commentary could help improve matters.

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"These Guidelines seek to set a standard which will give business some assurance that it has reported its environmental performance to an appropriate minimum level of accuracy and detail."

Elliot Morley, Environment Minister (2006)

Important changes to company law

The Environment Agency has commissioned Trucost to conduct this study as part of an ongoing programme to review corporate reporting. The study looks at environmental disclosures within the statutory annual reports and accounts of FTSE All-Share companies.

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We want to see all businesses, large and small, make changes that will benefit the environment. But we recognise that companies need to measure environmental impacts before they can manage them. We are therefore using the new company law regulations to encourage the disclosure of more environmental information to stakeholders and investors. If these disclosures are to be of practical use, the information will need to be relevant, comparable and reliable. We are therefore pushing for the greater use of quantified information.

This study is an update to a report produced by us[1] in 2004. That report provided a baseline of the environmental disclosures of FTSE All-Share companies prior to the new Business Review regulations. These regulations were enacted in 2005 as an amendment to the 1985 Companies Act[3].

The 2004 report found that for most companies there was a lack of meaningful quantified information. Although 89 per cent of companies mentioned some aspect of their interaction with the environment, nearly all disclosures lacked rigour, depth or quantification. Very little reporting could be described as comprehensive or even adequate for shareholders to assess the environmental risks or opportunities facing a company.

Our aim in this report is to investigate what progress has been made since then. The report analyses the annual reports of 100 FTSE All-Share companies which now have to comply with the revised company law regulations. These regulations require companies with significant environmental impacts to report them in a Business Review as part of their annual reports and accounts.

Companies must provide analysis using financial key performance indicators. Where appropriate, they must also set out analysis using other key performance indicators, including information relating to environmental matters. The Government has issued comprehensive guidance to help companies to report environmental key performance indicators (KPIs)[2].

The current study shows what changes can be seen so far. It looks at the Business Reviews resulting from the implementation of the EU Accounts Modernisation Directive. It also sheds light on companies' responses to other relevant EU Directives such as the EU Emissions Trading Scheme, and considers the Environmental Liability Directive and the EU recommendations on Annual Report and Accounts.

There are companies in the study that are also listed in the US and are therefore obliged to make filings to the Securities and Exchange Commission (SEC). We have looked at the impact on these companies of the Sarbanes-Oxley Act and the Financial Accounting Standards Board (FASB) Interpretation 47 (Accounting for Conditional Asset Retirement Obligations).

We will repeat the study in 2007, when we will look at all the FTSE All-Share companies. By this time they will all be reporting under the new regulations.

As the repeal of the Operating and Financial Review regulations has led to considerable confusion, we also hope that this study will help directors to understand their new reporting obligations.

What do Directors need to know?

A fundamental review of company law will tighten statutory controls on directors with regards to environmental issues

All public companies should report relevant environmental impacts in their 'Business Review'

Directors need to understand the Companies Bill and the Business Review requirement of the EU Accounts Modernisation Directive (EU AMD)

Government Guidance on environmental reporting has been published

Since April 2005, UK company law requires that all public and large private companies include relevant environmental information in a 'Business Review' including analysis using Key Performance Indicators (KPI) as part of companies audited Annual Report and Accounts.

Deciding what to include is, ultimately, the decision of the directors who are legally liable for the adequacy of information included. Amongst the changes under the Companies Bill,[4] formerly the Company Law Reform Bill, which becomes law towards the end of 2006, is the right for shareholders to sue directors of the company for breaches of duties that are codified in the Bill. One such duty is that a director must promote the success of the company and in doing so they must have regard to a number of factors which include 'the impact of the company's operations on the environment'.

The guidance to the bill from the DTI states that 'In having regard to the factors listed, the duty to exercise reasonable care, skill and diligence will apply. It will not be sufficient to pay lip service to the factors, and, in many cases the directors will need to take action to comply with this aspect of the duty.' In addition, under the new Companies Bill quoted companies have increased environmental reporting obligations.

If companies choose not to report on environmental matters they must make a positive statement to that effect.

This report looks below at the Business Review which resulted from the EU AMD and is now a requirement of the 1985 Companies Act. But first the Companies Bill which has significant requirements of directors in respect to environmental matters is reviewed.

2006 Companies Bill (formally the Company Law Reform Bill)

The repeal of the Operating and Financial Review (OFR) regulations provoked a widespread response from the business community and other external stakeholders. This led to an amendment to the Companies Bill currently going through Parliament. The amendment, proposed on 3 May 2006, expands the requirements of the Business Review for quoted companies listed on the London Stock Exchange's main market and echoes the language of the abolished OFR.

The amendment requires that these Business Reviews 'to the extent necessary, for an understanding of the development, performance or position of the company's business, include:

(a) the main trends and factors likely to affect the future development, performance and position of the company's business; and

(b) information about:

  (i) environmental matters (including the impact of the company's business on the environment),

  (ii) the company's employees, and

  (iii) social and community issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies.'

If the Business Review does not contain information for (i), (ii) and (iii) above, it must make the omission clear – and say what type of information has been left out.

The OFR required quoted companies to comply with the Accounting Standards Board's Reporting Standard 1 (RS1). As the OFR is no longer mandatory, RS1 has been reissued as a best practice statement, *Reporting Statement: Operating and Financial Review*. This reflects the fact that many companies still plan to produce an OFR.

The Department of Trade and Industry recognised that this document while 'developed for the mandatory OFR, should be useful for companies both in the preparation of the Business Review in the Directors' Report and a voluntary OFR'.[5] The best practice statement sets out best practice advice on the use of key performance indicators (KPIs) as required for the Business Review as well as for the OFR.

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Government reporting guidelines for UK business

The Department for Environment, Food and Rural Affairs (Defra) published further Guidelines on environmental reporting in January 2006: *Environmental Key Performance Indicators: Reporting Guidelines for UK Business*. This followed a lengthy consultation with companies, trade and professional bodies and public sector organisations. The Guidelines set out 22 environmental KPIs and identify those industry sectors for which the KPIs are most likely to be relevant. Companies that follow these Guidelines will get their environmental reporting off to a good start. No company is expected to report on all 22 KPIs. An analysis of business sectors suggests that approximately 80 per cent of companies are likely to have five or fewer KPIs and around 60 per cent have three or fewer KPIs. Some companies already have sophisticated reporting systems in place. The aim of the Government Guidelines is to help many more businesses understand, and improve, their environmental performance.

Elliot Morley, then Minister for the Environment, said, 'These Guidelines seek to set a standard which will give business some assurance that it has reported its environmental performance to an appropriate minimum level of accuracy and detail'. The new statutory duties of directors make it even more important to have this assurance.

Statutory statement of directors' general duties

A key proposal of the Companies Bill is a statutory statement of directors' general duties. This includes a new duty to promote the success of the company. The bill states that directors must have regard to:

(a) the likely consequences of any decision in the long-term

(b) the interests of the company's employees

(c) the need to foster the company's business relationships with suppliers, customers and others

(d) the impact of the company's operations on the community and the environment

(e) the desirability of the company maintaining a reputation for high standards of business conduct

(f) the need to act fairly as between members of the company.

Point (d) gives greater weight to environmental matters in UK boardrooms. This is further increased by the Companies Bill providing extended rights for shareholders to sue directors for negligence and other defaults.

There has been some concern that the new provisions may be abused by disgruntled or activist shareholders. A shareholder could claim for negligence, and for breach (or threatened breach) of the new general statutory duties. There could also be claims relating to breaches of regulatory obligations, such as environmental regulations.

However, there is also evidence that business leaders understand the important role that companies must play in tackling environmental issues. The Corporate Leaders Group on Climate Change (CLG) brings together business leaders from major UK and international companies which believe that there is an urgent need to develop new and longer-term policies for tackling climate change. The group includes B&Q, John Lewis, Shell, Standard Chartered Bank, Tesco and Vodafone. It is currently working with the UK Government to strengthen domestic and international progress on reducing greenhouse gas emissions. These larger companies are also adopting environmental criteria in procurement. This raises the issue of environmental performance in their supply chains. The CEO of British Sky Broadcasting, James Murdoch, said that, 'The carbon footprint of a company is a figure that every business leader should know and should manage'.

The requirement for a Business Review

In 2006 we have seen the first annual reports and accounts produced under the new reporting requirements of the EU Accounts Modernisation Directive (2004/109/EC). This came into force on 15 December 2004 and was transposed into UK legislation on 1 January 2005. The Directive affects all reports for financial years from 1 April 2005. It applies to all EU countries and in the UK it is part of the Companies Act 1985[6].

The Directive is part of the Financial Services Action Plan that aims to create efficient, transparent and integrated markets for securities. The Action Plan identified a series of actions needed to complete the single market for financial services. This included the adoption by European companies of International Accounting Standards.

The Directive is also part of moves to increase non-financial or management commentary reporting. Readers of reports need a fuller understanding of the companies in which they invest. An International Accounting Standards Board (IASB) Discussion Paper says that Management Commentary explains 'the main trends and factors underlying the development, performance and position of the entity's business during the period covered by the financial statements. It also explains the main trends and factors that are

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likely to affect the entity's future development, performance and position'.

In common with the DTI, the IASB welcomed the disclosure framework provided in the Accounting Standards Board's Reporting Standard 1 on OFRs (RS1). The IASB felt RS1 offered a useful structure and presented a helpful Management Commentary disclosure framework. To meet the objective of effective narrative reporting, the IASB says an entity's Management Commentary should disclose information on:

- the nature of its business
- its objectives and strategy
- its key resources, risks and relationships
- its results and prospects
- its performance measures and indicators.

European legislation asks for analysis of non-financial issues, such as the environment. It looks for companies to report performance measures through key performance indicators. Large European companies will have to report on relevant environmental matters in their annual reports and accounts.

The inclusion of environmental issues in the Directive stems from the EU Commission's 2001 *Recommendation on the Recognition, Measurement and Disclosure of Environmental Issues in the Annual Reports and Accounts of Companies* (2001/453/EC). This stated that:

'The lack of explicit rules has contributed to a situation where different stakeholders, including regulatory authorities, investors, financial analysts and the public may consider environmental information disclosed by companies to be either inadequate or unreliable.'

The Commission was of the opinion that: 'There is a justified need to facilitate further harmonisation on what to disclose in the annual accounts and annual reports of enterprises in the European Union as far as environmental matters are concerned. The quantity, transparency and comparability of environmental data flowing through annual accounts and annual reports of companies must also be increased.'

Under the EU Accounts Modernisation Directive, the Directors' Report has been expanded. It now includes a Business Review that will provide:

'a balanced and comprehensive analysis of:

(a) the development and performance of the business of the company during the financial year, and

(b) the position of the company at the end of the year, consistent with the size and complexity of the business.'

This Business Review 'must to the extent necessary for an understanding of the development, performance and position of the business of the company, include:

(a) analysis using financial key performance indicators, and

(b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employees matters.'

All European businesses, except small companies, now have to produce a Business Review. Small companies are defined as those with:

- a turnover of less than £5.6 million
- a balance sheet total of not more than £2.8 million
- less than 50 employees.

Medium-sized companies do not need to include analysis using non-financial key performance indicators. However they are strongly encouraged to do so. For a company to qualify as medium-sized it must meet two or more of the following criteria:

- a turnover of not more than £22.8 million
- a balance sheet of not more than £11.4 million
- not more than 250 employees.

In the UK, there has been some confusion regarding the reporting of non-financial information in annual reports. This is because at the same time that the EU AMD was introduced, the Government had also introduced the Operating and Financial Review (OFR), which applied to all main market listed companies and had mandatory reporting requirements on non-financial issues including the environment. The development of the OFR has a parallel, though intertwined, history to the EU AMD. A number of UK companies have voluntarily produced OFRs for several years, as a response to requests for this type of narrative reporting from a range of external stakeholders including shareholders.

However, on 28 November 2005 the Chancellor, Gordon Brown, announced the abolition[7] of the Operating and Financial Review (OFR). He saw it as 'gold-plating' the EU AMD. It was widely reported, and a large number of listed companies at this time thought that the non-financial reporting requirements for listed companies had been abolished entirely. However public companies which in effect are regarded as large in UK law are currently bound by the requirements of the EU AMD, so all the FTSE All-Share, AIM and Ofex listed companies will have to follow the new reporting requirements and should, where appropriate, include an analysis of environmental matters. The decision as to whether or not such information is material to the business rests with the directors.

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What drives environmental disclosure?

This section outlines the existing framework in which UK-listed companies report on environmental issues. This framework encompasses accounting standards, listing requirements, operating regulations and other non-mandatory reporting guidelines. We try to identify the factors that might motivate or require a company to disclose information to its shareholders about its interactions with the environment.

Accounting and reporting standards

New environmental accounting and management accounting standards

Key EU Directives and US requirements outlined

All UK-listed companies have to file annual reports and accounts with Companies House. Accountancy standards are set by the Accounting Standards Board, which publishes Financial Reporting Standards (FRS). These standards are enforced by the Financial Reporting Review Panel (FRRP). From 2005 all listed EU companies will have to report in accordance with International Accounting Standards. Dual-listed companies also have to comply with financial reporting requirements in the countries where they have an additional listing.

As discussed in the previous section, the EU Accounts Modernisation Directive requires large companies to report on environmental issues, where appropriate. In addition, FRS12 (provisions, contingent liabilities and contingent assets) requires a company with environmental provisions or contingent liabilities to disclose the amount and circumstances surrounding them in its annual report and accounts. Companies are also obliged – under FRS10 (recognition of tangible and intangible assets) and FRS11 (impairment of assets) – to account for changes to asset values that stem from environmental factors, where the companies are of the opinion that such factors are financially material. The EU Emissions Trading Scheme, which came into effect in January 2005, should increase reporting under these FRS. Companies must now recognise their allocations as assets, to be revalued over time as the fair value (defined by market price) changes. These assets will be owned by the company, not by the installations to which they are allocated. As such, they represent a significant and immediate creation of value to companies within the scheme.

International Financial Reporting Interpretations Committee 3 'Emission Rights'

In June 2005, the International Accounting Standards Board (IASB) decided to withdraw the International Financial Reporting Interpretations Committee (IFRIC) 3 'Emission Rights' with immediate effect. The IASB also decided to reconsider in a more comprehensive way the accounting for cap and trade emission rights schemes. This will have regard to its project to amend IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance,* which is an important reference standard for accounting by participants in the EU Emissions Trading Scheme. In late 2005 the Board stated that the objective of the project is to amend IAS 20 by applying the accounting model for government grants contained in IAS 41 Agriculture, to all government grants. The IAS 41 model establishes the following principles for recognising grants related to assets measured at fair value through profit and loss:

- Recognise the grant when it becomes receivable.
- Recognise income when conditions attached to the grant have been met.

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New International Federation of Accountants guidance on environmental management accounting

Increasingly businesses need to cost the environmental aspects of their operations. The International Federation of Accountants (IFAC) has therefore issued new guidance on environmental management accounting (EMA). The document was commissioned by IFAC and supported by the United Nations Division for Sustainable Development that provides the expertise within the United Nations system on sustainable development. The guidance is aimed primarily at professional accountants within organisations. However, it will also be of interest to accountants and auditors who are becoming more involved in tracking or verifying environment-related information in financial and other reports. IFAC President Graham Ward says, 'Our goal in issuing this document is to reduce confusion on this important topic and to provide a framework and set of definitions that is comprehensive, yet as consistent as possible with other existing environmental accounting frameworks with which EMA must coexist. We believe this document[8] will achieve this goal.'

Table 2 **Accounting and reporting standards**

Country	Description	Date	Scope	Comments
US	FASB Interpretation No. 47	2005	All SEC-listed companies	Accounting for conditional asset retirement obligations.
International/ EU / UK	IAS 36 – Impairment of Assets	2005	All EU-listed companies	IAS equivalent to FRS 11.
International/ EU / UK	IAS 37 – Provisions, & Contingent Liabilities	2005	All EU-listed companies	IAS equivalent of FRS 12.
International/ EU / UK	IAS 38 – Intangible Assets	2005	All EU-listed companies	IAS equivalent of FRS 10.
EU	Accounts Modernisation Directive 2004/109/EC	2005	All EU-companies	Transposed into national law in all Member States with the exception of Italy and Greece.
EU	Prospective Directive (2003/71/EC)	2005	Equity issuers	The Prospective Directive requires equity issuers to disclose in a prospectus a description of any environmental issues that may affect the issuer's utilisation of tangible fixed assets.
EU	Transparency Directive (2004/109/EC) & Working Document ESC/34/2005	2007	Issuers with securities	The Transparency Directive requires the investment entity to include, within its annual report and accounts, 'analysis using financial key performance indicators; and where appropriate, analysis using other key performance indicators including information relating to environmental matters and employee matters;...'
EU	EU Commission Recommendation (2001/453/EC)	No date set	Not specified	On the recognition, measurement and disclosure of environmental expenditures, liabilities, risks and assets; the company's attitude to the environment; and environmental performance to the extent it may affect the financial position of the company.
UK	Companies Act 1985 March Regulations 2005 [S I 2005/1011]	2005	All UK companies	Transposition of EU Accounts Modernisation Directive. Large companies, both quoted and unquoted, must produce a business review as part of an enhanced directors' report that, where appropriate, includes analysis using KPIs, including information relating to environmental matters. [OFR abolished 12 January 2006]
UK	Companies Bill	2007	All UK Companies	Reform company law and restate the greater part of the enactments relating to companies.
UK	FRS 10 – Goodwill & Intangible Assets	Existing (1985 & 1989)	All UK-registered companies	Tradable emissions permits will be accounted for as intangible assets.
UK	FRS 11 – Impairment of Fixed	Existing (1985 & 1989)	All UK-registered companies	Covers the revaluation of fixed assets, such as land or buildings land, that are Assets & Goodwill contaminated or impaired in some other way by pollution. Includes impairment due to regulatory or statutory changes.

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Accounting and reporting standards

Country	Description	Date	Scope	Comments
UK	FRS 12 – Provisions, Contingent Liabilities and Contingent Assets	Existing (1985 & 1989)	All UK-registered companies	The financial impact of certain environmental liabilities must be disclosed in annual accounts including contingent obligations under pending regulations. A descriptive note on each provision is required.
Germany	Bilkog & BillReG	2005	All German companies	German implementation of the EU Accounts Modernisation Directive
Holland	Environmental Management Act	Existing (1999)	300 high impact and volunteer companies	Two reports on environmental impacts, including quantitative data. One to government and one for public.
France	Company Law Code	Existing (2003)	All French listed companies	Companies must report on the impact of their activities on the environment, the management controls in place, and any environmental expenditure.
Sweden	Law of the Accounts	Existing (1999)	10,000 companies covered by Swedish Environmental Code	Companies must report on environmental impacts, any actual or potential financial implications, the environmental codes governing the impacts and the dependence of the company's activities on compliance with those codes.
Norway	Law of the Accounts	Existing (1999)	All companies subject to the Law of Accounts	All companies must give an account of the impact of their operations on the environment and any existing or planned measures to reduce this impact. This should be in the Directors' Report.
Denmark	Environmental Protection Act	Existing (1996)	1,200 companies covered by the Act	'Green accounts' must be prepared disclosing significant consumption of energy, water, raw materials and the type and quantity of pollutants to air, land and water.

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Regulatory drivers

Environmental Regulation is increasing in many jurisdictions

The EU Emissions Trading Scheme has been implemented which places a cost on carbon emissions

The Transparency Directive, Prospectus Directive and Environmental Liability Directive increase reporting and accounting requirements

Pressure to report on significant environmental issues is increasing due to greater stakeholder demands and in particular greater investor attention

The Treaty of Amsterdam (1999) identifies the principle of sustainable development as one of the European Community's aims and makes a high degree of environmental protection one of its absolute priorities. This section outlines key legislation from the EU that is likely to impact on companies' environmental reporting.

In addition the Securities and Exchange Commission (SEC) is getting tougher on companies that fail to report accurately on their environmental risks. There are strict new financial accounting standards. A recent enforcement action against Ashland Inc. is evidence of this new approach. Around 200 of the UK's leading companies are listed in the US and this section considers the impact of important US legislation.

The latter parts of this section look at the mounting pressure from institutional investors and pension fund trustees. for companies to provide environmental information and data.

The EU Emissions Trading Scheme

The EU Emissions Trading Scheme (EU ETS) marks a real shift in business thinking. The issue of carbon emissions no longer belongs solely to the environmental officer: it is now a material issue in the boardroom for the senior financial and executive officers.

The EU ETS is one of the policies being introduced across Europe to tackle emissions of carbon dioxide and other greenhouse gases and to combat the serious threat of climate change.

The Scheme began on 1 January 2005. The first phase runs from 2005 to 2007. The second phase will run from 2008 to 2012 to coincide with the first Kyoto Commitment Period. Further five-year periods are expected subsequently. The ETS creates winners and losers. It creates benefits because firms are given free allowances which then have a value (the market price for the allowances). The allowances can be sold at that price or used to offset actual emissions. The ETS also creates costs because firms have to buy allowances for emissions that are in excess of their allocation. Irrespective of whether they fall within the Scheme, all companies are likely to be affected by it as their input costs may rise. For example, the ETS has significantly increased the cost of electricity that many companies use in their production processes. Phase one is in many ways a trial period. The Commission is using the information from the first phase in order to:

- assess what Member States' caps should be for Phase two
- set out indicative figures for substantial cuts from most Member States.

In the UK, the projections for emissions by 2010 have risen by around 11 million tonnes of CO_2. In these circumstances, the Government believes it is essential to set the limits at the top of the range on which they consulted for the second phase. This means that the UK Government is looking to reduce carbon emissions from current levels by eight million tonnes annually. Allocations to industrial sectors, which include those sectors most open to international competition, will continue to be on the basis of need. As the electricity supply sector is mainly insulated from international competition its allowances could therefore be set at a lower level, and be subject to auctioning (likely to be around seven per cent).

Under Phase two of the EU ETS, up to 10 per cent of allowances can be auctioned. Obviously the final amount raised by the auction cannot be determined in advance, but it will be substantial. These additional costs will clearly affect the price paid by electricity consumers.

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The Transparency Directive

Member States must implement the Transparency Directive by 20 January 2007.

The Transparency Directive is part of the drive for a single European market. The Directive aims to harmonise the disclosure by EU listed companies of accurate, comprehensive and timely information. It sets minimum content requirements for annual and for interim reports in order to establish a high standard of reporting. This should enable investors to make informed investment decisions on a pan-European basis.

A number of commentators, including the Financial Markets Law Committee, believe that the Transparency Directive may increase the existing liability of companies and their directors with respect to the accuracy of reporting.

Directors will therefore want to be confident that they have processes and procedures that ensure accurate reporting. This will be particularly true in areas where companies may have limited experience – such as environmental reporting using KPIs.

The Prospectus Directive

The Prospectus Directive sets out the initial information which must be disclosed by the issuers of securities, where those securities are offered to the public in the EU or are admitted to trading on a regulated market in the EU. The Directive allows issuers to raise capital across the EU on the basis of a single prospectus. It requires equity issuers to disclose in a prospectus a description of any environmental issues that may affect the issuer's use of tangible fixed assets. The Financial Services Authority sets out this requirement in the minimum disclosure requirements for the share registration document.

Environmental Liability Directive

The proposed Directive aims to prevent and rectify environmental damage, specifically, damage to habitats and species protected by EU law, damage to water resources, and land contamination which presents a threat to human health. It is based on the 'polluter pays' principle, that is that polluters should bear the cost of either putting right the damage they cause to the environment, or of measures to prevent imminent threat of damage.

The Directive provides specific criteria to assess when damage is 'significant' and Member States will have a duty to ensure that the necessary preventive or restorative measures are actually taken. Operators carrying out 'hazardous' activities will be held strictly liable for preventing or putting right any damage caused by those activities to land, water and protected habitats and species, without a need to show fault or negligence.

In addition, operators carrying out other, less harmful, activities will be held liable when their fault or negligence causes damage to protected habitats and species.

The Directive applies only to damage from incidents occurring after it comes into force. The Environmental Liability Directive must be transposed into national law by 30 April 2007.

US Sarbanes-Oxley Act

The current timetable means that foreign private issuers have until the first fiscal year ending on or after 15 July 2006 to comply with the act which requires CEOs, CFOs and other members of management to certify the accuracy and completeness of financial statements.

Sarbanes-Oxley has had widespread repercussions. Surveys of companies with US listings suggest that a number may consider de-listing because of Sarbanes-Oxley, in spite of the difficulties of taking shares off the US exchanges. Companies not listed in the US have said that Sarbanes-Oxley would dissuade them from seeking a US listing.

The Sarbanes-Oxley Act does not directly address environmental reporting. Nor does the Financial Accounting Standards Board (FASB) Statement No 5, *Accounting for Contingencies*, which has been in effect since 1 July 1975. However *Accounting for Contingencies* presents the greatest potential risk to companies and management that under-report environmental liabilities. This is because it requires the accrual of liabilities if the liability was incurred before the date of the financial statements and if the amount of the liability can be reasonably estimated.

The European approach may be more flexible but is also more open to abuse. This view is expressed in an article entitled *End of American dominance in capital markets*, written by Hal Scott and George Dallas. Hal Scott is professor of law at Harvard Law School and director of its international financial systems programme; George Dallas is a managing director at Standard & Poor's based in London. Scott and Dallas argue that:

'While the European approach to regulation may prove to be a more adaptable and sustainable model for global companies, we also need to be alert to its vulnerabilities. The effectiveness of the "comply or explain" regime, with fewer regulatory teeth, will hinge on greater discipline by market participants. Investors, intermediaries and other gatekeepers increasingly must seek credible explanations from companies that do not comply with voluntary governance codes and must be prepared to alter investment strategies if these explanations are lacking.'

It may also be that the US and European regulatory approaches are becoming more similar over time. This is certainly the case in the important area of asset retirement obligations, which is discussed below.

Accounting for asset retirement obligations

Asset retirement obligations (AROs) are costs relating to site restoration or to the closure or removal of long-lived assets which the enterprise is under an obligation to incur[9]. Legal obligations arising under environmental laws are a common source of AROs. Environmental laws frequently regulate the manner in which property, plant, and equipment, are disposed of, recycled, remediated, or restored upon their retirement[10].

FASB Statement No 143 (effective June 2003) and Interpretation No 47 (effective December 2005) require companies reporting under US GAAP to account for AROs arising from their operations anywhere in the world. Prior to FAS 143, environmental legal obligations relating to company-owned assets were accounted for generally as loss contingencies under FAS 5, if at all. In the past, AROs have often not been reported as liabilities. This is because companies have argued that such obligations could be deferred indefinitely, for example by mothballing contaminated properties. As such, the obligations were considered to fall short of the recognition criteria under FAS 5.

UK companies should be aware that the International Accounting Standards Board (IASB) is also taking action to require the recognition of AROs, and in a more comprehensive manner. In June 2005, the IASB issued an exposure draft to amend IAS 37 (the IASB equivalent of FAS 5). This would modify the recognition and measurement principles for contingent liabilities. The proposed amendments would be broadly in line with the recognition and measurement principles that underpin FAS 143 and FIN 47, as they would eliminate the probability criterion in the current IAS 37. However, the amendments would extend the recognition of environmental liabilities that are not related to the retirement of an asset. The FASB has not yet scheduled an agenda item to revise FAS 5 in a similar fashion.

The past failure to account for AROs has resulted in significant losses – both financial and social – which have affected creditors, shareholders, governments, and communities[11]. Accounting for AROs in full may significantly increase the transparency of environmental financial reporting. However, the initial implementation of FAS 143 and FIN 47 in the US has been inconsistent across sectors and among similarly situated companies within the same industry[12]. The inconsistent application of these standards gives rise to concerns about the quality of corporate governance and internal controls among US reporting companies. Indeed, several US companies have reported 'material weaknesses' in internal controls over financial reporting relating to AROs under the provisions of Sarbanes-Oxley[13].

Investors and pension fund trustees

Institutional investment groups and pension fund trustees have a growing need for information from companies on their environmental performance. On 3 July 2000, an amendment to the Pension

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Act 1995 came into force. It requires the Trustees of occupational pension schemes to disclose through their Statement of Investment Principles (SIPs) 'the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments'.

In October 2005 Freshfields Bruckhaus Deringer produced a legal framework for the integration of Environmental, Social and Governance (ESG) issues into institutional investment. This was undertaken for the Asset Management Group of the United Nations Environment Programme Finance Initiative. The report concluded that:

'Conventional investment analysis focuses on value, in the sense of financial performance… the links between ESG factors and financial performance are increasingly being recognised. On that basis, integrating ESG considerations into an investment analysis so as to more reliably predict financial performance is clearly permissible and is arguably required in all jurisdictions.'

The same point was stressed by Mercer Investment Consulting in *A Climate for Change – A Trustee's Guide to understanding and addressing Climate Risk*, August 2005. In it they advised:

'Considering that both the physical and mitigation-related policy impacts of climate change will influence the ability for companies to create and maintain wealth for shareholders (in the short- and long-term), pension trustees will want to ensure that these risks (and associated opportunities) are being addressed in relation to the funds in their care.'

United Nations Principles for Responsible Investment

Principles for Responsible Investment (PRI) is an initiative of the UN Secretary-General implemented by the United Nations Environment Programme Finance Initiative and the UN Global Compact. There is a growing view among investment professionals that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios. Investors fulfilling their fiduciary duty therefore need to give appropriate consideration to these issues.

The signatories to PRI include asset owners with total assets held of greater than USD 2 trillion and investment managers with total assets managed of greater than USD 3 trillion. They sign up to six principles and agree either to report on how they implement them or to provide an explanation where they do not comply with them. The six principles are to:

- incorporate ESG issues into investment analysis and decision-making processes.
- be active owners and incorporate ESG issues into our ownership policies and practices.
- seek appropriate disclosure on ESG issues by the entities in which we invest.
- promote acceptance and implementation of the Principles within the investment industry.
- work together to enhance our effectiveness in implementing the Principles.
- report on our activities and progress towards implementing the Principles.

Leading investors worldwide release Global Framework for Climate Risk Disclosure

A unique global partnership of 14 leading institutional investors and other organizations representing trillions of dollars in assets have released the Global Framework for Climate Risk Disclosure to provide specific guidance to companies regarding the information they provide to investors on the financial risks posed by climate change.

Investors created the climate disclosure framework in response to growing concerns about the risks and opportunities from climate change, whether from new regulations, physical impacts or growing global demand for climate-friendly products. Leading pension funds in the UK, Australia, California and Connecticut were among the investors.

Investors will use the disclosure framework in engagements with companies and encourage them to use existing reporting mechanisms, including financial filings with securities regulators-to provide information that meets investors' expectations and serves their analytical needs. They also plan to distribute the framework to securities regulators, investors and leading companies that have failed to respond to previous investor requests for information.

The framework, available at http://www.ceres.org, includes four key elements for adequate corporate climate disclosure:

- measurement of total and projected greenhouse gas (GHG) emissions by company operations and products
- strategic analysis of climate risk and GHG emissions management
- assessment of the physical risks of climate change
- risk analysis related to emerging GHG regulations in the US, Europe and other countries.

This document is out of date. Withdrawn 19/07/2018

Table 3 **Significant environmental regulations**

Country	Description	Date	Scope	Comments
EU	Environmental Liability Directive	2007	All companies operating in EU	When the Environmental Liability Directive is enacted, it will reinforce existing regulations on remediation and restoration obligations. It is not retrospective.
EU	WEEE Directive (2002/96/EC)	2006	EU companies that produce, import or resell Electrical and Electronic Equipment produced by someone else under their own brand	Producers will have to register with the UK Environment Agency and will be set recovery targets. Government still to announce actual arrangements for producer and compliance scheme registration, data reporting and the evidence needed for monitoring the recycling and recovery targets.
EU	European Pollutant Emissions Register	Existing (2003)	Companies regulated by IPPC	Reporting on 50 pollutants every three years by all companies regulated by the IPPC. As with the UK Pollution Inventory this is on a site level and is reported by subsidiary companies and not listed entities. It is not aggregated by group.
EU	REACH	2006	EU chemicals companies	Registration, Evaluation and Authorisation of Chemicals. Companies that manufacture or import more than one tonne of a chemical substance per year will be required to register.
EU / UK	IPPC (Replacing IPC)	Existing (2000)–2007	Primary and manufacturing operations in EU	Includes reporting of quantities of emissions of a variety of pollutants, on a site and company basis, to the European Pollutant Emissions Register. This is publicly available.
EU / UK	EU Emissions Trading Scheme	2005	Specific sectors with more than 20 MW thermal input capacity	Potentially neutral impact on balance sheet but permits are expected to be treated as intangible assets; the emission of pollutants will create a liability.
UK	Fuel duty	Existing (1987)	All companies operating UK vehicle fleets	Differentiation of sales duty between different fuel types depending upon their emissions.
UK	IPC	Existing (1990)	Companies with primary and manufacturing operations in EU	Includes reporting the quantities of emissions for a variety of pollutants on a site basis to the Environment Agency's Pollution Inventory. This is publicly available.
UK	Enhanced Capital Allowances	Existing	All UK registered companies	100% capital allowances from the Inland Revenue on energy-efficient plant and machinery. This information is only disclosed to the Inland Revenue but is collected. This is an opportunity for further reporting.
UK	Public Register	Existing (Various)	Regulated companies	List of companies and sites licensed to abstract water, discharge to land, air and water; handle radioactive substances; or to operate landfill sites.
UK	Landfill Tax	Existing (1996)	Companies with UK waste management operations	Increased costs of landfill (tax escalates annually). This information is only disclosed to the Inland Revenue but is collected. This is an opportunity for further reporting.
UK	Climate Change Levy	Existing (2000)	All companies operating in UK except domestic fuel suppliers	Tax and tax credit mechanisms. Should be reviewed for their inclusion in statutory accounts.

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Table 3 **Significant environmental regulations**

Country	Description	Date	Scope	Comments
UK	Aggregates Tax	Existing (2002)	Companies with UK mining and constructions operations	Tax on per tonne of sand gravel or rock quarried for aggregate. This information is only disclosed to the Inland Revenue but is collected. This provides an opportunity for reporting.
UK	Renewables Obligation	Existing (2002)	UK electricity generators	Power suppliers required to derive a specified proportion of the electricity they supply to their customers from renewables.
UK	Company Car Tax	Existing (2002)	Companies operating UK vehicle fleets	Differentiation of tax and NICs dependent upon the CO_2 emissions of the vehicle.
UK	Parts of IPPC, Water Resources Act, CROW Act and EPA Pt IIA	Existing (various)	All companies operating in UK	There are elements in each of these four regulatory frameworks that cover the pollution of air, land and water, and that provide for an obligation to be placed on one that 'causes or knowingly permits' pollution to restore the environment to previous condition. This obligation gives rise to liabilities recognised under FRS 12/IAS 37.
USA	CERCLA / SARA (Superfund)	Existing (1980/1986)	Companies with chemical and petroleum operations in US	Two components; a tax creating a fund for cleaning up and a law making the polluter responsible for cleaning up damage caused by the release of hazardous substances.
SA	Emergency Planning & Community Right to Know	Existing (1986)	Companies emitting 'listed' pollutants in US	Introduced under SARA, the Act obliged companies that emit hazardous substances above a threshold to submit quantitative disclosures at site level to the EPA Toxic Release Inventory.

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Assessing what is reported

This section looks at the main subjects on which the surveyed companies made disclosures. Using case studies we consider general trends and look in particular at waste, climate change (and energy use) and the EU Emissions Trading Scheme.

The sections in which companies made environmental disclosures in their annual reports and accounts have been identified. Business Reviews and OFRs have been studied in more detail.

Finally, we look at the limited growth in quantitative reporting and consider its quality. We ask whether the size of a company is a factor in the inclusion of such information – ie whether the company is in the FTSE 100, 250 or All-Share. We look for examples that connect this type of reporting with effects on the bottom line.

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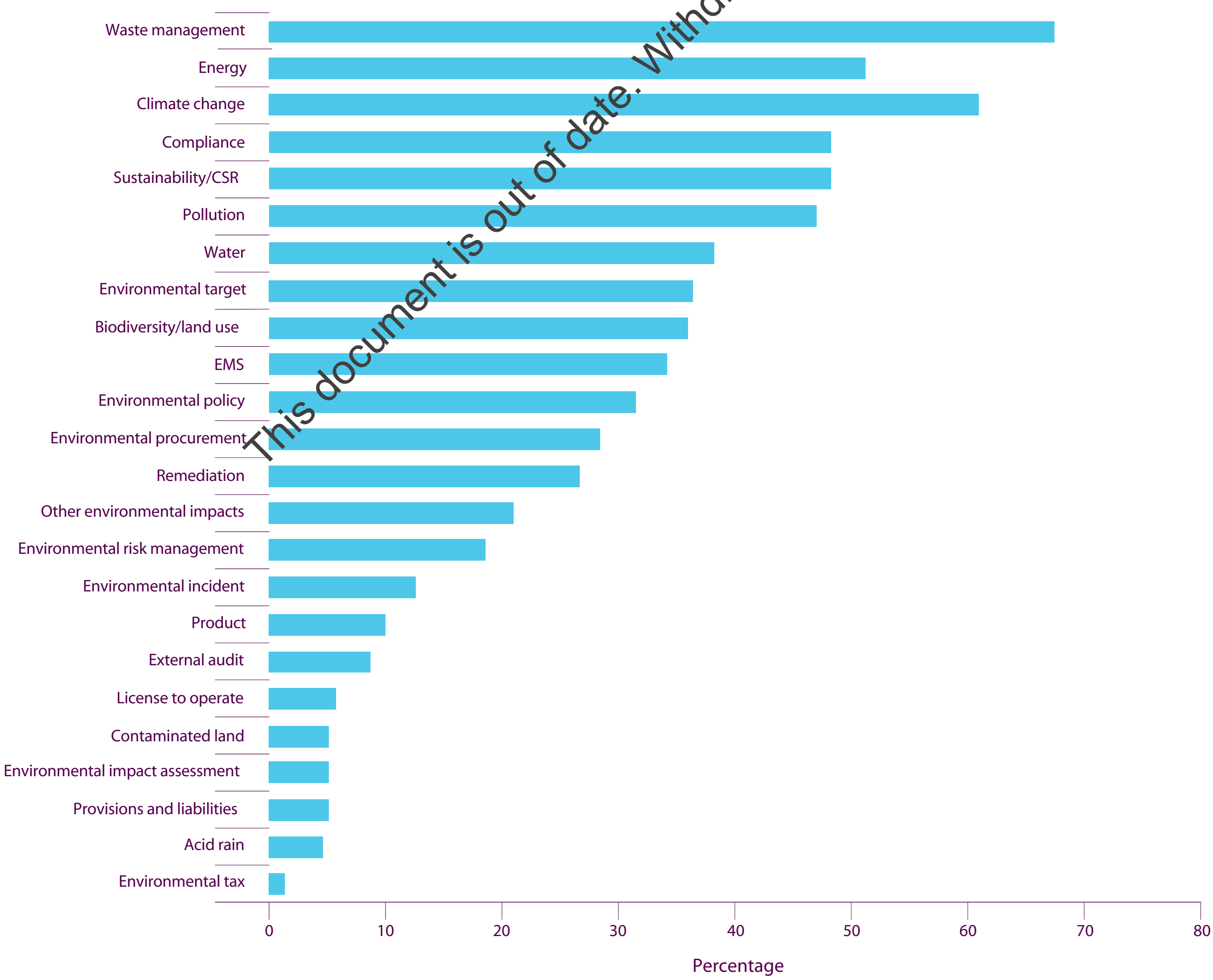
Figure 2 **Disclosure levels of each environmental topic**



In 2004 Environmental Policy was the number one topic disclosed in annual reports and accounts. If our study had included disclosures on Sustainability/Corporate Social Responsibility (CSR) and Environment Management Systems (EMS) within the category of Environment Policy, this would have remained the top topic.

The principle impacts were the same as in 2004: waste, energy including climate change, and water. The Compliance category now includes the EU Emissions Trading Scheme (ETS), which started in 2005 and is discussed by nine companies in this study.

Overall, a few more companies are reporting environmental impacts and there has been a small increase in the provision of quantified information. However, the usefulness of the data is still limited. The example below comes from the CSR section of Burberry Plc's annual report and accounts.

There is concrete information here, which is to be welcomed. The topics considered are energy use, CO_2 emissions and waste. These are in line with the Government's Guidelines for the retail sector. The company has given quantitative figures and comparisons with previous years.

However, the Guidelines require the disclosure of an absolute figure that applies to the whole company. For example, Burberry gives separate figures for energy use for the UK, US, Spain, and Asia and Korea. Would a total of these figures provide the absolute figure for the whole company or are there are other countries in which the company operates?

The CO_2 figures reported are a usage figure for UK air travel and a reduction figure resulting from a change from air to sea freight. These are both very specific and limited in scope and therefore offer no possibility of comparison with other companies in the sector. A best practice report would have a total figure for the CO_2 emissions that Burberry is directly responsible for and one for the CO_2 it is indirectly responsible for through travel, transportation and other aspects of its supply chain. In particular the Government encourages businesses to measure and understand the greenhouse gas emissions in supplied electricity.

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Extract: Burberry Group Plc

CSR Indicators	Year to 31 March 2006	Year to 31 March 2005	Year to 31 March 2004	Year to 31 March 2003
Suppliers				
Number of 3rd party audits	50	43	37	24
Health and Safety				
RIDDORS per 100,000 hours worked	0.26	0.3	0.24	0.33
3rd party H&S audits in the UK	11	14	n/a	n/a
Environment				
UK energy use (Mil kWh)	27.4	28.1	29.1	30.2
UK energy use (kWh/£1,000 sales)	36.9	39.2	43.2	50.8
Energy use Spain (Mil kWh)	8.4	9.3	8.8	n/a
Energy use US retail (Mil kWh)	8.2	7.7	7.2	n/a
Energy use Asia and Korea	1.7	1.5	1.6	n/a
UK packaging use (tonnes)	883	731	703	718
UK packaging use (Kg/£1,000 sales)	1.2	1.0	1.0	1.2
UK transit packaging (tonnes)	476	520	525	538
UK transit packaging (Kg/£1,000 sales)	0.64	0.73	0.78	0.91
Tonnes of CO_2 offset by switching from air to sea freight	1205	650	650	n/a
Tonnes of CO_2 from UK air travel	1213	n/a	n/a	n/a
Community				
Indirect donations GBP	£169,046	£142,999	n/a	n/a
Direct donations GBP	£314,214	£346,423*	£198,000	£166,000

*Includes a one off donation of £100,000 to the Tsunami Relief Fund

(Source: Page 45, CSR, Burberry Group Plc)

The figures for packaging give no indication of whether packaging is re-used or disposed of, or how it is re-used. The figures are also for the UK only.

Burberry's environmental reporting is better than many companies' and it may reflect its current capability. In particular it provides useful quantitative information. However, if Burberry was able to confirm that it is reporting on its entire operations and provide relevant information on supply chain impacts, its current reporting would be in accordance with the UK Government Guidelines and shareholders would be better able to make favourable comparisons.

Waste management

Every company generates waste of some sort. As well as its impact on the environment it is in essence a measure of resource productivity. In general, the less waste generated per unit of output the more efficient the companies' production processes are.

The Landfill Tax and Producer Responsibility Obligations (Packaging Waste) provide regulatory and fiscal incentives for companies to reduce waste. More companies disclosed information on waste management than any other issue. Sixty seven of the 100 companies we looked at discussed waste, but of these only 20 provided any sort of quantitative disclosure.

Below we look at how three telecommunication companies – Cable & Wireless, BT and Vodafone – considered waste in their annual reports and accounts. The Government Guidelines suggest that waste is a significant indicator of environmental performance in the telecommunications sector.

Cable & Wireless: The Directors state in their annual report that they do not consider any environmental matter to be significant to an understanding of the Group's performance for the year or position at year end, and so no reporting is made in their annual report on waste or any other environmental matter.

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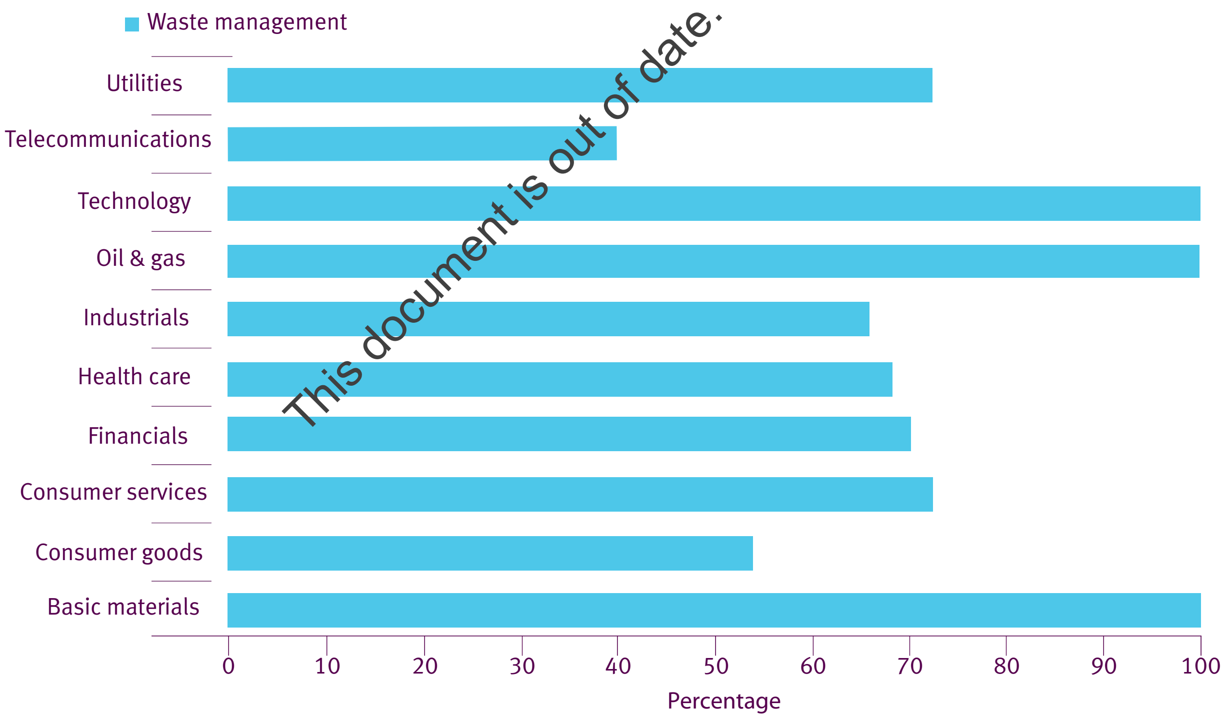
Figure 3 **Disclosure on waste, analysed by sector**



Extract: Cable & Wireless Plc

Environmental matters

Although the Board or its subcommittees consider environmental issues and identify and monitor environmental risks and opportunities, the Directors do not consider that such matters are significant to an understanding of the Group's performance for the year or position at year end and hence the Annual report focuses on the more significant operational issues.

(Source: Page 45, Director's Report, Cable & Wireless Plc)

BT: In marked contrast, BT reports on the total tonnes of waste and states the percentage recycled. It also gives financial figures for the costs of managing its waste contracts and for the income received from recycling activities.

Extract: BT Group Plc

During the 2006 financial year, we received an income of £3.2 million from our recycling activities, offset against the £8 million we spent managing our waste contracts, recycling our waste and sending waste to landfill.

Waste	2006	2005	2004	2003
Total waste (tonnes)	102,005	110,622	107,303	117,688
Total waste recycled (tonnes)	42,340	37,421	27,626	27,809
% recycled	42%	34%	26%	24%

(Source: Page 20, OFR/Business Review, BT Group Plc)

Vodafone: The company uses environmental KPIs in keeping with the new business review requirements. Vodafone also use absolute figures for energy use and CO_2 emissions although a distinction between direct and indirect would be helpful. However waste is not described in absolute terms, the company offers figures for phones and network equipment collected for reuse and/or recycling.

Extract: Vodafone Group Plc

Environmental Performance Indicators

	2006	2005
Number of mobile operating subsidiaries undertaking independent RF field monitoring	15	14
Total energy use (GWh) (direct and indirect)	3,198	2,600
Total carbon dioxide emissions (millions of tonnes)	1.31	1.2
% of energy sourced from renewables	12	11
Number of phones collected for reuse and recycling (million)	1.37	1.27
% network equipment waste sent for reuse or recycling	97	96

Note:
(1) These performance indicators were calculated using or estimated data collected by the Group's mobile operating companies. The data is sourced from invoices, purchasing requisitions, direct data measurement and estimations where required. The carbon dioxide emissions figure is calculated using the kWh/CO_2 conversion factor for the electricity provided by the national grid and for other energy sources in each operating company. The data collection and reporting process is within the assurance undertaken by Deloitte & Touche LLP on the Company's CR Report. The data for the 2005 financial year excludes newly acquired operations in the Czech Republic and Romania and operations in Sweden that were sold during 2006. It includes the Group's joint venture in Italy and the discontinued operation in in Japan.

(Source: Page 60, Corporate Responsibilities and Environmental Issues, Vodafone Group Plc)

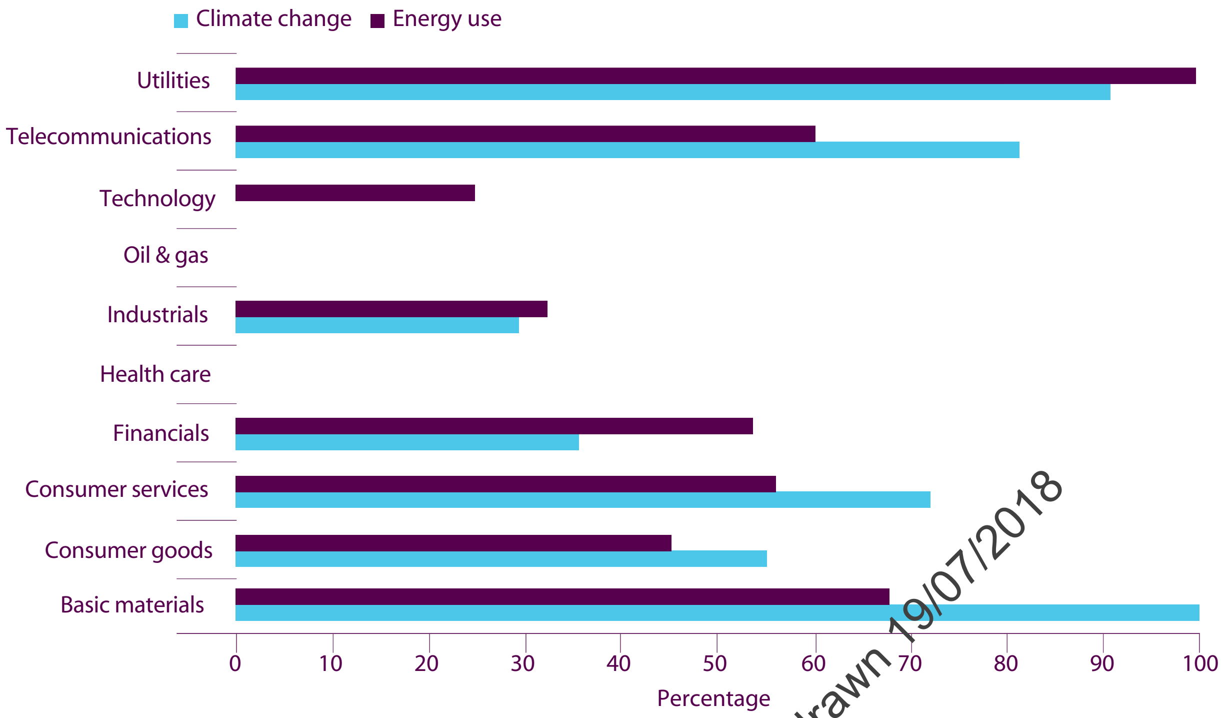
The three approaches to reporting waste management are very different. BT's disclosure is the only one that meets UK Government Guidelines and provides data that would enable report readers to make comparisons between the environmental performance of these companies and the resulting costs.

Climate change and energy use

Climate change (and energy use) was the second most disclosed environmental issue in our sample. Sixty two of the 100 companies discuss climate change or energy use. Thirty seven of these (60 per cent) provided some sort of quantitative disclosure. Climate change is considered to be the biggest single environmental impact of energy use. It is likely that the relatively high levels of quantitative data reflect the ease and low cost of measuring the impact of energy use. For many companies it is enough to apply conversion factors from Defra or the Intergovernmental Panel on Climate Change (IPCC) to the fuel quantities used. The quantities used are readily available from fuel bills.

This document is out of date. Withdrawn 19/07/2018

Figure 4 Disclosure on energy use and climate change, by sector



Within the UK, weather patterns are likely to become increasingly volatile, with greater chances of flooding and extended dry spells. This is naturally of special interest to water companies. Higher water quality targets also increase the energy intensity of the water industry; there is a direct environmental trade-off. We looked at the reporting of Anglian Water, Kelda Group and Severn Trent to see what disclosures they made in this area.

Anglian Water produced an OFR. In this it provides a narrative report on how climate change will affect its business. It recognises the serious nature of the challenges and has developed strategies in terms of mitigation and adaptation.

Its report on carbon emissions gives detailed information on the carbon emissions averted by its CHP engines. Readers would probably be interested in a figure for its carbon emissions – given that elsewhere Anglian Water states that it uses 736 Gigawatt hours or 0.2 per cent of the total electricity in the UK. Of course, a well-informed shareholder may be able to apply the Defra or IPCC conversion factors in order to derive a figure for the embedded carbon emissions in Anglian Water's supplied electricity. However this type of disclosure is not easy to compare with other water companies that do quantify their indirect CO_2 emissions but do not state their energy use. This demonstrates the need for more standardised reporting.

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Extract: AWG

Climate change

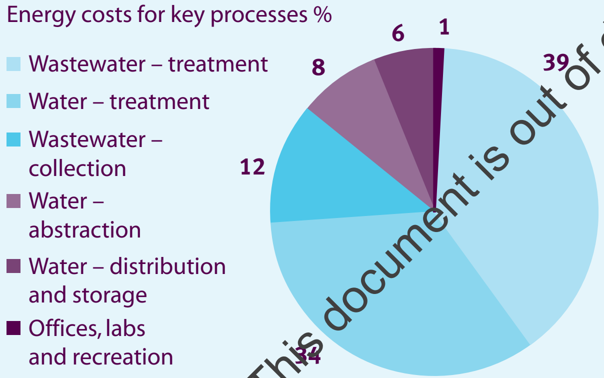
Climate change will directly affect Anglian Water. The company is currently investigating the impacts that this will have on the supply of drinking water and the collection and treatment of wastewater in the region.

The key implications for Anglian Water are:

- Requirement for increased winter raw water storage.
- Supply infrastructure improvements – peak demand resilience.
- Impact on infrastructure – temporary or permanent asset loss due to flooding, sea level rise and coastal realignment.
- Resource competition – environmental/economic pressure to share water.
- Requirement to adapt design standards, for example sewer capacity.

Anglian Water recognises the serious nature of the challenges that it faces and has developed a strategy identifying the implications and required actions, both in terms of mitigation and adaption.

Energy costs for key processes %



Energy

Energy costs represent a key risk to Anglian Water's operating efficiency. Anglian Water is one of the largest energy users in the east of England due to the energy required to pump and treat water and wastewater. In 2005/06, energy expenditure represented 12 per cent of total operating costs (£39.8 million).

In total, Anglian Water used 736 Gigawatt hours (GWh) in 2005/06, or 0.2 per cent of total electricity usage in the UK.

The chart (above) demonstrates energy consumption by the key processes.

Electricity prices are on a rising trend and increased 24 per cent in 2005/06. Electricity costs for Anglian Water are anticipated to continue to increase over the current regulatory period.

Anglian Water's energy costs are currently fixed until October 2007. One contract, to procure energy through to October 2007, is from entirely renewable sources and represents 21 per cent of Anglian Water's energy demand. Reducing energy consumption is imperative for Anglian Water for both economic and environmental reasons.

In 2005/06, Anglian Water strengthened its existing energy team, which is tasked with identifying and reducing controllable energy usage and promoting the need for energy efficiency throughout the company.

The energy team is also investigating opportunities to increase the proportion of self-generated energy from renewable sources, such as wind and combined heat and power (CHP) on wastewater treatment works.

In 2005/06 Anglian Water generated 11 GWhs of renewable energy from its CHP engines.

This saved 4,975 tonnes of carbon and delivered more than £1.1 million of benefits through offsetting power bought from the grid and from the sale of Renewable Obligation Certificates.

Supply and demand

Anglian Water's region receives two-thirds of the national average rainfall, making it the driest region in the country. It is also one of the fastest growing. This growth places additional demand on water resources, often on a very localised basis.

In addition to low average rainfall, the region received only two-thirds of its usual rainfall between November 2005 and February 2006, a period essential for re-charging water reserves, particularly underground aquifers. The potential deficit in the availability of water resources was managed through effective planning and investment in water storage and supply systems, for example, increased pumping of water from rivers into reservoirs, within abstraction limits set by the Environment Agency.

(Source: Page 20, OFR, Anglian Water Group)

This document is out of date. Withdrawn 19/07/2018

Kelda Group Plc reports in its section on Corporate Social Responsibility that sustainable operations are key to the long-term viability of its business. It gives two quantitative figures:

- its score in the 2005 Business in the Environment Index
- the number of potential pollution incidents prevented.

Readers cannot use these figures to compare Kelda's environmental performance with that of peer companies in terms of climate change and energy use.

Severn Trent, in contrast, does provide such figures and readers would be able to make comparisons. It differentiates between direct and indirect emissions and uses CO_2 equivalents in order to standardise between different greenhouse gases. The figures are also expressed in absolute terms.

Extract: Kelda Group Plc

Sustainable operations are key to the long-term viability of our business. We remain committed to conserving and enhancing our environment, striving to achieve 100% compliance with our legislative obligations and to lead the field in environmental management.

97.3%

Kelda's score in the 2005 Business in the Environment Index, achieving premier league status for the fourth consecutive year.

118

The number of potential pollution incidents prevented by Hawkeye, a new YW award-winning specialist pollution prevention monitoring system, since its introduction in June 2004.

Best practice

The prestigious Business in the Community Shields Environment Award named Yorkshire Water as a National Example of Excellence this year for commitment to sustainable environmental best practice. The award was given for a range of initiatives including ISO14001 implemention, environmental training, partnership working with contractors and suppliers, sustainable procurement and continual environmental improvement.

Woodland management

Yorkshire Water won two international Green Apple Awards in 2005, including the Utilities' Green Apple Champion Award, recognising the company's forward thinking woodland stewardship policy that aims to improve and sustain the company's woodland for future generations.

A past strategy left woodlands prone to storm damage. Since 2000, 50 hectares of our woodland have been destroyed by storms, exposing soil and blocking watercourses and recreation routes. Saleable timber is recovered and sold to the timber trade, meeting international accreditation standards. The remaining material is burnt, mulched and decomposes naturally, creating an environment for natural regeneration and tree planting.

Woodlands are replanted with a variety of broad-leafed species or left to regenerate naturally. Ponds, glades and watercourses are also managed to ensure greater biodiversity.

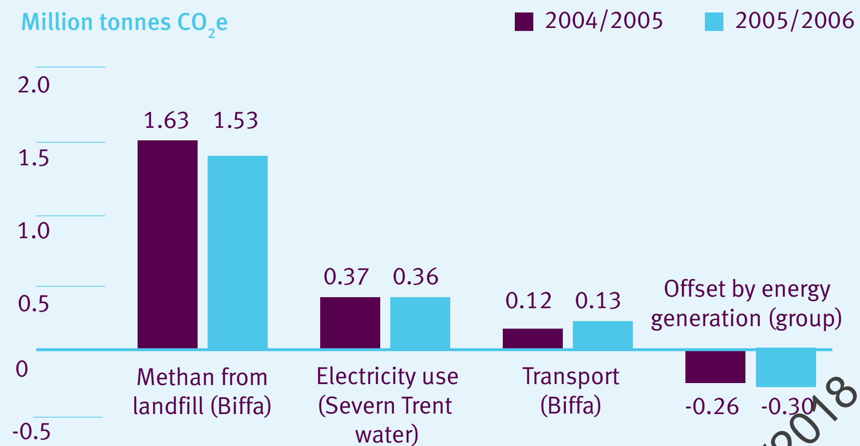
Nigg Treatment Works

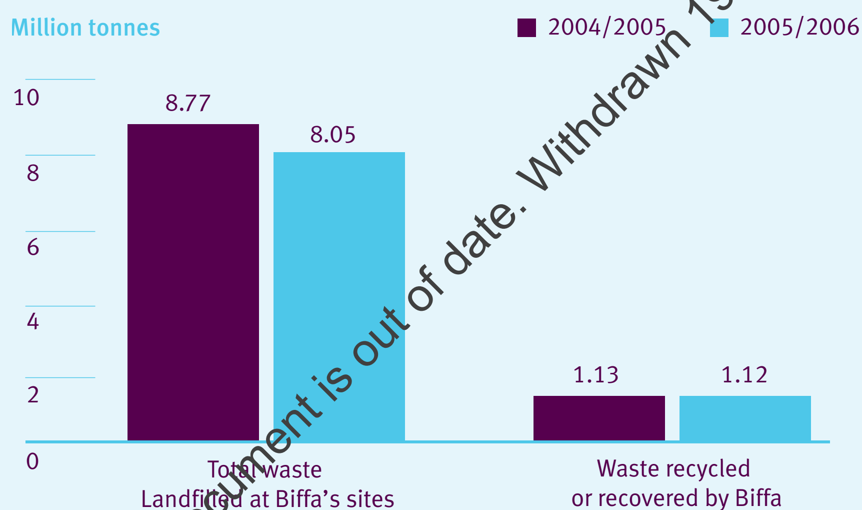
Aberdeen Environmental Services, a Kelda consortium, picked up a Gold Green Apple Award for the sludge treatment, disposal and energy recovery aspects of the Nigg Waste Water Treatment Works project. This state-of-the-art sludge treatment plant is totally energy self-sufficient, and creates a by-product for use in local agriculture.

(Source: Page 20, CSR, Kelda Group Plc)

This document is out of date. Withdrawn 19/07/2018

Extract: Severn Trent Plc





This document is out of date. Withdrawn 19/07/2018

The second investigated the potential greenhouse gas emissions and related energy cost implications of different technology choices for water and waste treatment. In analysing our long-term investment choices in the context of greenhouse gas emissions, we aim to put climate change at the very heart of our business.

Adaption is the other theme of Severn Trent's climate change programme. Severn Trent Water took a leading role in Sustainability West Midlands' Climate Change Partnership, helping the West Midlands to understand and adapt to the potential impacts arising from climate change. Biffa completed a series of adaptation workshops in 2005/06, assessing how climate change could affect key areas of the business.

Our work on resource management focuses on two principal elements: reducing our own consumption of natural resources and helping our customers manage resources, through activities like recycling.

Reducing leakage is an important part of both our own and our customers' management of resources. In our corporate responsibility report published later this year and following the June Return to Ofwat, we will provide a breakdown of demand and leakage for Severn Trent Water. We will also outline our work with domestic and industrial customers and our education programme to improve water conservation.

Biffa handled 1.12 million tonnes of solid waste for recycling and recovery. 12.2% of the total amount of solid waste directly disposed of. Developments in 2005/06 included extending commercial glass collections nationwide, and increasing composting activities.

Both Severn Trent Water and Biffa continued to expand their Biodiverstiy Action Plans in 2005/06.

(Source: Page 24, Performance Review, Severn Trent Plc)

European Union Emissions Trading Scheme

The EU Emissions Trading Scheme (EU ETS) marks a real shift in business thinking. The issue of carbon emissions no longer belongs solely to the environmental officer: it is now a material issue in the boardroom and for the senior financial and executive officers. The EU ETS is one of the policies being introduced across Europe to tackle emissions of carbon dioxide and other greenhouse gases and to combat the serious threat of climate change.

The scheme began on 1 January 2005. The first phase runs from 2005 to the end of 2007. The second phase will run from 2008 to the end of 2012 to coincide with the first Kyoto Commitment Period. Further five-year periods are expected subsequently. The ETS creates winners and losers. It creates benefits because firms are given free allowances, which then have a value (the market price for the allowances). The allowances can be sold at that price or used to offset emissions. The ETS creates costs because firms are charged for each relevant emission.

We looked at how six companies covered the ETS in their annual reports. Their approaches varied from a short high level discussion of the Scheme by Scottish and Southern Energy to complete and clear reporting by National Grid and British Energy.

Scottish and Southern Energy discusses the ETS in its Directors' Statement. They report that they received an emissions allowance of around 20 million tonnes. Although they say it was less than they required they do not report by how much.

Based on Trucost's analysis of Scottish and Southern's sites in the UK regulated by the EU ETS, the company exceeded its allocation by 6.6 million tonnes CO_2 in 2005 (according to Trucost analysis the largest deficit of any company on the UK emissions register). Based on an average price of carbon for 2005 of €18 euros, if Scottish and Southern had to pay for these emissions this would amount to over €120 million. Scottish and Southern may have sites in other countries that emitted less than their allocation and so could potentially offset this against their UK deficit. This information indicates that, for the UK at least, the company's emissions constitute a liability that many investors would consider to be material enough to discuss in depth. Scottish and Southern accounts for this as an intangible asset elsewhere, but does not link actual expenditure with its discussion of emissions trading.

National Grid report in their Operating and Financial Review their emissions and allowances to be broadly in line and show the allowances for 2005/06 as an intangible asset of £41 million.

This document is out of date - withdrawn 19/07/2018

Extract: Scottish and Southern Energy Plc

EU ETS and BETTA

Since its launch in January 2005, the EU ETS has seen the price of carbon allowances fluctuate, with a peak of around 30 Euros a tonne in the first few months of 2006. SSE's emissions allowance, of around 20 million tonnes, was reasonable in comparison to the rest of the UK electricity generation sector, but was lower than the level of emissions that SSE requires in practice. As part of the cost of generating electricity, higher prices of carbon allowances add upward pressure to electricity prices. SSE's policy is to ensure it has minimal exposure to fluctuations in the price of carbon allowances.

SSE is one of a number of companies which has submitted an application to the European Court of First Instance under Article 230 of the EC Treaty challenging the European Commission's decision to reject the UK government's proposed amendment to the UK Phase 1 National Allocation Plan.

Uncertainty also surrounds the longer term impacts of EU ETS, not least because: the first phase has less than two years left to run; the details of the second phase, due to start in 2008, have not been finally determined; and it is not yet certain that there will be an EU ETS after the end of the second phase in 2012.

(Source: Page 26, Director's Statement, Scottish and Southern Energy Plc)

Extract: National Grid Plc

Emissions trading

The European Union emissions trading scheme commenced on 1 January 2005. Its purpose is to reduce the level of carbon dioxide emitted by placing a financial incentive on participants to reduce their emissions of this greenhouse gas. Allowances are granted to participants in accordance with a national allocation plan and any shortfall or surplus can be traded with other participants.

Our carbon dioxide emissions between 1 January and 31 December 2005 in the UK were broadly in line with our allocation, and so the scheme did not have a material financial effect on our results in 2005/06. We similarly do not expect the scheme to have a significant impact on our results in 2006 or 2007. Phase 2 of the emissions trading scheme, covering the period from 1 January 2008 to 31 December 2012, is in the process of being negotiated.

	2006	2005
	£m	£m
Property, plant & equipment	799	464
Intangible assets	91	65
Capital Investment	890	529

This includes £41 million of additions relating to emissions allowances received during 2005/06.

(Source: Page 41 - 42, OFR, National Grid Plc)

This document is out of date. Withdrawn 19/07/2018

British Energy provides figures in its Financial Review. It states that purchases of carbon allowances totalled £34 million in the year which will be surrendered along with its allocation of free allowances as part of the 2005 EU ETS settlement. It details how it treats the emissions allowance as an intangible asset in the notes to the accounts. There are also further details in its Corporate Social Responsibility section of its annual report, from which the above paragraph is taken.

Extract: British Energy Group Plc

2005 was the first year of the pilot Phase 1 of the EU ETS. This operates on a cap and trade basis and is initially focused on achieving reductions in CO_2 emissions. British Energy was allocated 4.54 $MtCO_2$ for the calendar year – less than the actual station emissions of 7.22 $MtCO_2$. During 2005/06 the carbon price established by the scheme rose from about €16/tCO_2 to around €27/tCO_2 although the actual cost pass-through to the electricity price was masked by price rises due to increases in fossil fuel costs.

(Source: Pages 22-23, CSR, British Energy Group Plc)

Extract: Scottish Power Plc

During 2005, Scottish Power was required to comply with the new regulations applicable to the EU's Emissions Trading Scheme ('ETS'). As part of these regulations, the company was required to redeem emissions allowances to account for greenhouse gas emissions from the thermal coal and gas fired generating stations and CHP plant in the UK. The company has met its obligation for the EU emissions year January to December 2005, with the surrender of 15 million tonnes of CO_2 emission allowances in relation to 15 million tonnes of CO_2 emissions.

(Source: Page 30, Business Review, Scottish Power Plc)

Scottish Power reports in its Business Review that its emissions were 15 million tonnes. This was met by the surrender of 15 million tonnes of CO_2 allowances. However Scottish Power do not state what its total allowances were, so it is unclear in this section whether they bought further credits or had allowances left over.

Extract: Viridian Group Plc

Commodity risk

The Group's policy is to hedge the level of commodity risk exposure deemed appropriate on a project specific basis. VP&E is exposed to changes in the price of gas purchased for the operation of Huntstown 1 and, to a lesser extent, the price of CO_2 emission credit with VP&E receiving a 74% allocation for the first phase of the EU Emissions Trading Scheme (ETS). During the year VP&E employed financial commodity swaps to hedge gas price exposures identified. At 31 March 2006, c90% of VP&E's forecast gas requirements for CO_2 emission credits for the year ending 31 March 2007 were fully covered by forward purchase contracts.

Operating review

At 31 March 2006, Huntstown 1's gas requirements for the seven month period to October 2006 were c90% hedged. We await the outcome of CER's consultation on tariff-setting mechanisms for calendar year 2007 before taking any decisions on hedging beyond October 2006. At 31 March 2006, Huntsdown 1's requirements for CO_2 emission credits were fully covered for the year ending 31 March 2007 by forward purchase contracts.

(Source: Page 29, Director's Report and OFR, Viridian Group Plc)

Viridian Group reports receiving a 74 per cent allocation for the first phase of the ETS. The cost of this shortfall is a straightforward calculation of the emission credits required times the price at which they were bought. This figure would not be trivial and could be of interest to report readers. It also says that Huntstown 1's requirements are fully covered for the year ending 31 March 2007. No information is given as to the forward price paid for these allowances.

Energy companies are not the only sector directly affected by the ETS. The food processing industry is a major energy consumer and discharger of greenhouse gas through its reliance on cooking, refrigeration, freezing and air compressor systems. Tate & Lyle is an example of a food company that has exposure under the Scheme.

In its OFR Tate & Lyle states that some credit was obtained from the sale of carbon dioxide emission rights. No figure is given and there is no further discussion of the ETS. According to Trucost analysis Tate & Lyle own three sites regulated by the ETS which had a surplus allocation of allowances for 22,000 tonnes. At an average price of €18 per tonne this amounts to around €400,000 or almost one per cent of Tate & Lyle's pre tax income.

Extract: Tate & Lyle Plc

Energy costs were higher than in previous years despite the effect of a combination of forward cover and efficiency savings for much of the year. The situation in the UK gas market is of particular concern. Some credit was obtained from the sale of carbon dioxide emission rights. There was a small reduction in other manufacturing costs.

(Source: Page 28, OFR, Tate & Lyle Plc)

This document is out of date. Withdrawn 19/07/2018

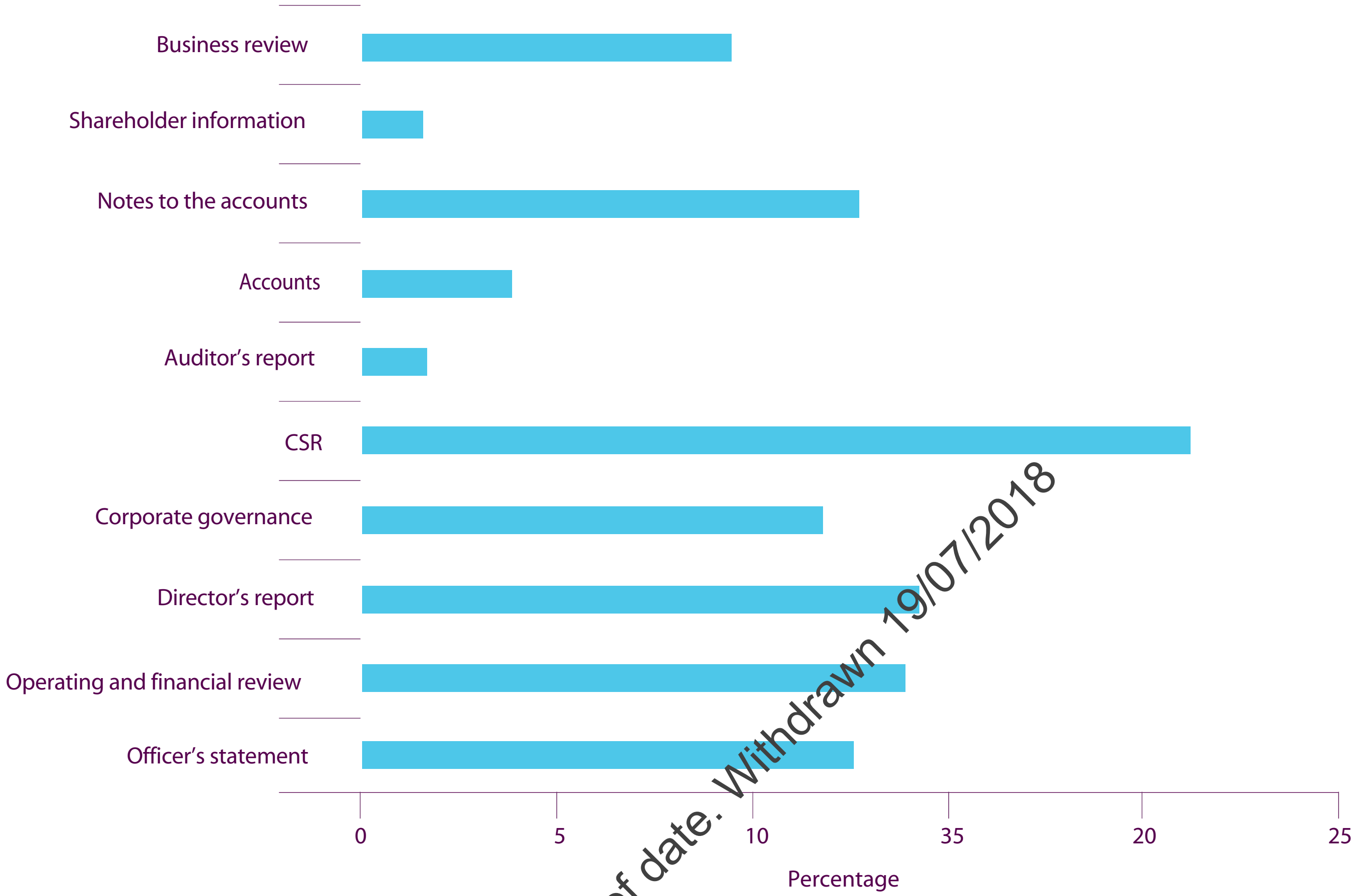
The business review – has regulation worked?

In our study, 37 of the 100 companies included a Business Review and 43 included an Operating and Financial Review (OFR). The DTI's guidance allows a company's OFR to be considered as meeting the Business Review requirement of the amended 1985 Companies Act. Interestingly, five companies had both an OFR and a Business Review. Twenty five companies relied on their Directors' report or sections called Financial Review – or similar – to meet the requirements.

Of the 37 companies that produced a Business Review, 20 discussed the environment. Of the 43 companies that produced an OFR, 29 discussed the environment. There were ten quantified disclosures in the OFRs and eight in the Business Reviews. Quantified disclosures are vital for comparisons over time and between companies. It is clear that while there has been a small increase in good quality environmental reporting, the regulations have so far only had a partial impact.

The table on the right shows where the keywords used in the analysis appeared within the annual reports and accounts.

Figure 5 **Percentage of keywords found by sector of Annual Report and Accounts**



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Quantification of environmental issues – are disclosures comparable?

This report indicates that more companies in the FTSE All-Share are discussing environmental issues in their annual report and accounts. This is not surprising given the increasing emphasis that politicians, regulators, investors and other stakeholders are placing on environmental issues. General qualitative discussion of environmental issues, with evidence of the risks and opportunities facing companies, is to be welcomed. However, if disclosures are to be meaningful, readers must be able to compare a company's reporting over time, with other companies in its sector, and with companies in different sectors.

One way forward would be for companies to comply with the UK Government's *Environmental Key Performance Indicators – Reporting Guidelines for UK Business*. These were published by Defra in January 2006. The Guidelines set out how companies should report on specific environmental impacts.

This section illustrates how the 100 companies in this study are quantifying their environmental impacts in their annual reports and accounts. We classify the reporting into the following four categories:

- no quantification
- general quantification
- quantification from which data can be derived to meet Government Guidelines
- quantified disclosures that meet Government Guidelines.

Fifty two percent of the companies did not report any quantified environmental data in their annual reports and accounts. However the levels of quantification have generally increased compared with the analysis of the FTSE All-Share companies in 2004. Including all instances of quantification, the level of quantitative disclosures has increased from 24 per cent to 48 per cent. This indicates that FTSE All- Share companies are being encouraged to report in this way. Regulation, investor pressure and the growing awareness of climate change as a business issue are all likely factors in this increase.

Twenty eight companies provided general quantification. The definition was kept wide for the purpose of this study. It includes, for example, percentage improvements in environmental performance where the absolute measurement of environmental impact is not stated, financial savings made from improved environmental performance and absolute quantities of emitted greenhouse gases in tonnes.

Only four per cent of the companies made quantified disclosures from which comparable data can be derived. In these cases, companies quantified their impacts in a way that an informed analyst could use to arrive at a comparable figure that would comply with the Guidelines but where a typical shareholder could not. An example would be a disclosure that only covered a proportion of the emissions of the entire operations. This disclosure can be scaled up using other mainstream financial data to provide an estimate of emissions for the business as a whole. Reporting on the entire business operation is essential for comparison with other companies.

Sixteen companies made quantified disclosures that were in accordance with the Guidelines. We can use the same example as before, a percentage of the emissions of the entire operations. A compliant disclosure would report on the emissions of 100 per cent of their operations, thus allowing easily comparison with other companies.

We looked to see if there was a relationship between the size of a company and whether it reported in a quantitative way. We found there was a clear correlation. Nearly 80 per cent of FTSE 100 companies quantified at least some of their environmental impacts. This was nearly double the average for the sample as a whole. In addition, they are also more likely to report according to the Guidelines: nearly 40 per cent did so. This is very encouraging news. It means that there is a marked trend for FTSE 100 companies to provide clearer data that is consistent and that can be used to make useful comparisons. Disappointingly, smaller companies were far less likely to provide this sort of information. Only 10 per cent provided any data, and only one per cent provided any data that followed the Guidelines.

We also considered whether a company's sector had a bearing on its reporting.

We analysed the 100 companies in the study according to their sector type. All were then mapped to Industry Classification Benchmark (ICB) sub-sector types[14] at the 'Industries' level.

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Figure 6 The relationship between the size of company and the use of quantitative reporting

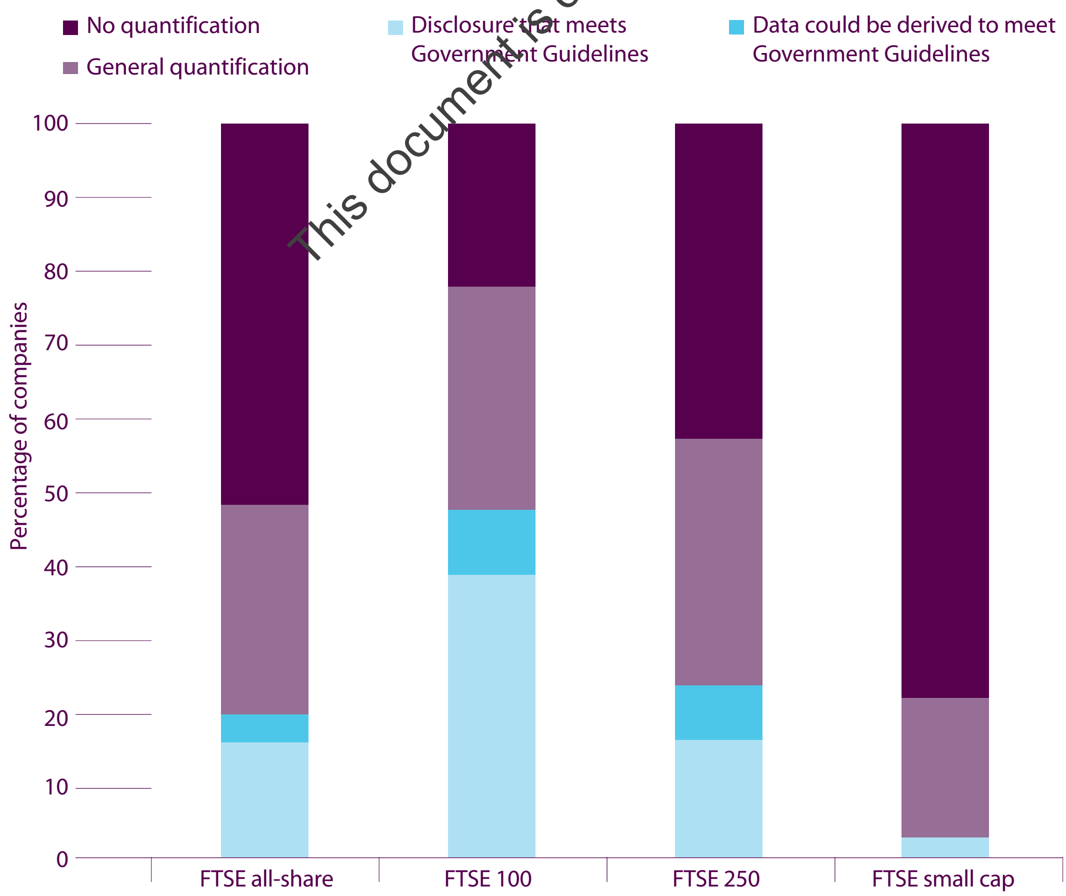
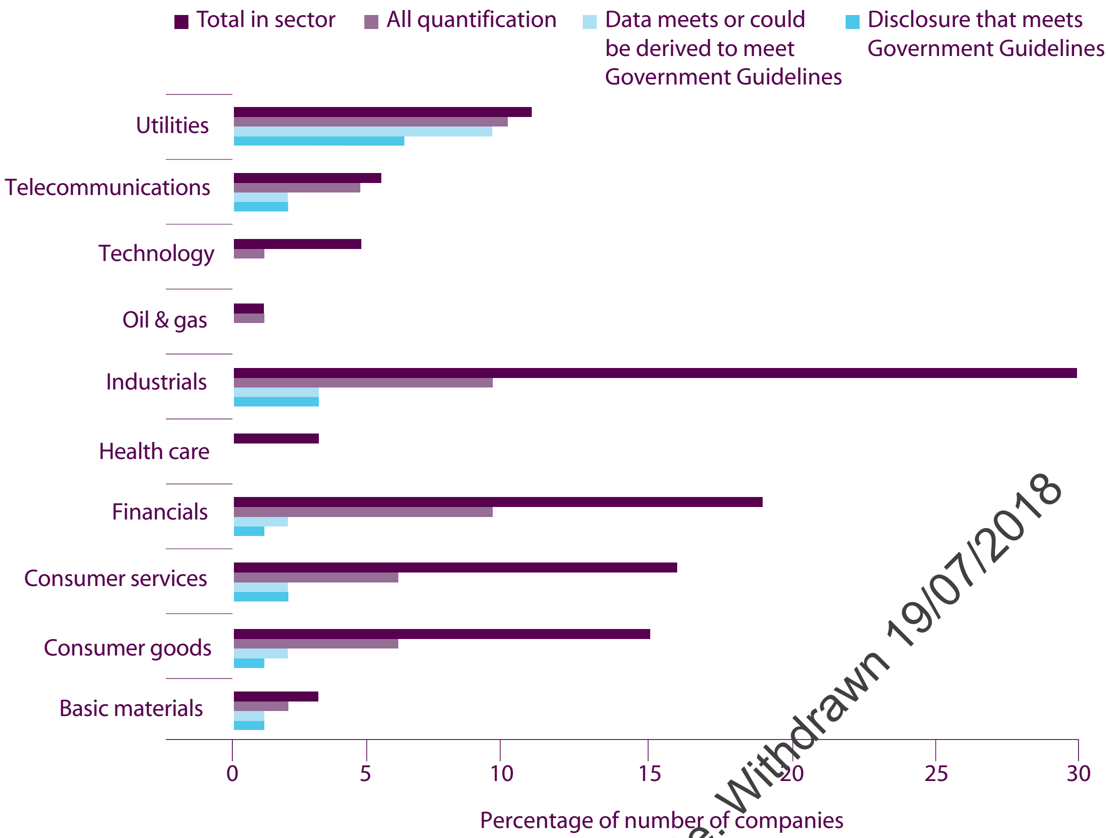


Figure 7 **Quantitative disclosure by sector and degree to which it meets Government Guidelines**



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Utility companies were the most likely to report all types of quantified information. Proportionally and absolutely this sector exhibited the highest levels of disclosures that were in accordance with Government Guidelines.

Industrial and technology companies were among the poorest reporters in terms of disclosure of data. Industrial companies represented the largest proportion of the companies studied, over 25 per cent. Yet only three companies reported data that was in accordance with UK Government Guidelines.

The case studies in this section demonstrate the variety of approaches to quantitative reporting.

Emap provides a good description of its emissions and their sources. The assumptions are clearly stated, and the reporting of total emissions is in line with the Government Guidelines.

Boots describes how reductions in emissions have delivered significant savings, approximately £1 million. It also describes targets for reducing emissions for the coming years. The description of targets is a key recommendation of the Government Guidelines.

Extract: Emap Plc

	Electricity*	Gas**	Water***	CO2****
Country	KwH	KwH	M3	Tonnes
UK	11,143,591	3,730,357	48,754	5,501
France	4,593,530	0	–	1,975

Energy consumption 2006 (restated)†

	Electricity*	Gas**	Water***	CO2****
Country	KwH	KwH	M3	Tonnes
UK	11,694,192	4,340,089	17,949	5,853
France	1,549,891	0	–	1,550

* These figures represent approximately 85% of Emap's occupied property for a 12-month period (excluding Emap Radio Scotland and Ireland).

** These figures represent approximately 65% of Emap's occupied property for a 12-month period (excluding Emap Radio Scotland and Ireland). Out of 31 sites, 9 sites are landlord supplied so cost is charged through service charge.

*** These figures represent approximately 53% of Emap's occupied property for a 12-month period (excluding Emap Radio Scotland and Ireland). In France, all sites are landlord supplied so cost is charged through service charge and therefore data is not available.

**** These figures represent the CO_2 equivalent of the gas and electricity consumed for the period (excluding Emap Radio Scotland and Ireland).

† 2005 figures have been restated to mirror the percentage of sites returning information for the year to 2006, providing a true comparative.

(Source: Page 27, CSR, Emap Plc)

Extract: Boots Plc

Award winners for energy-efficiency, leaders in reducing waste

Our record as an energy-efficient business is extremely good. We've generated our own power at our headquarter site since 1915; and our current combined heat and power plant meets virtually all our energy needs to our Nottingham site far more efficiently than if we used electricity from national power stations.

Far more economically too. We reckon that generating our own energy in this way saved us £1 million in 2005/06, as well as reducing our carbon dioxide output by around 3,500 tonnes. And we've been working very successfully with the Carbon Trust to continue to improve our carbon management performance, by making all our stores, over time, as energy-efficient as possible.

We're delighted that our efforts won us a Big Tick ward from Business in The Community in 2005, but we know there is still room for improvement. Over the next three years, we'll be investing over £5 million with the aim of achieving annual savings of £2 million-£3 million and further reducing our carbon dioxide emissions by over 8,000 tonnes.

Our performance in the field of recycling and waste management is equally impressive. We started recycling packaging as long ago as the 1930s, and today the list of things BTC refuse to treat as disposable waste stretches from single use cameras to the bubble wrap used to protect stock in transit. As a result we recycled no less than 50% of the waste we produced in 2005/06, which equates to a saving on waste disposal of over £3 million.

(Source: Pages 28-29, OFR, Boots Plc)

Extract: Boots Plc

Delivering major cost and CO_2 savings

Another environmental saving that's helping us to keep prices in check concerns how we deliver goods to our stores. With our logistic partner, we're constantly working to make this complex operation more efficient. We introduced 16 double-deck trailers this year onto five of our trunking routes, reducing three journeys to two. And along with our continued use of dual-fuel vehicles, we achieved savings of 1.4m kilometres and around 2,900 tonnes of carbon dioxide emissions. In April 2006, we expanded our double-deck trailer fleet by an additional 23 units and expect to make additional financial and environmental savings.

(Source: Page 17, OFR, Boots Plc)

This document is out of date. Withdrawn 19/07/2018

Extract: Northern Foods Plc

In 2005/06 the company launched a 'War on Waste', designed to drive efficiencies, reduce energy use and eliminate or recycle waste wherever possible. To drive this programme Northern Foods has introduce a single method of scoping, tracking and monitoring energy use at its sites. Over 600 energy and utility monitoring meters are being deployed and 'Energy Desktop', a specialist software solution, will capture and report on usage data, complementing SAP data on raw material usage and the creation of energy/ waste teams at 14 of our sites. These actions will support the monitoring of carbon emissions, to help ensure that the company is on course to meet its targets under the Climate Change Levy Agreement. They have also allowed Northern Foods to set the targets below for 2006/07.

Target 1: To reduce overall energy use by 15% over three years

Northern Foods aims to reduce its overall energy use by 5% per year on year from 2006/07 onwards by monitoring gas and electricity usage. The 'War on Waste' programme was introduced late in 2005/06 and early benchmarking showed a 3% reduction in electricity usage within this period. For January to December 2005, UK CO_2 emissions due to energy use were 230,463 tonnes. Our commitment under the UK Climate Change Levy Agreement is a bi-annual target and we will report back on this at the end of 2006/07.

Target 2: To reduce overall water use by 15% over three years

By monitoring usage, Northern Foods aims to reduce its overall water use by 5% year on year from 2006/07 onwards. The company made good progress in 2005/06, having achieved a reduced water usage of 719,845 cubic metres. This represented a 13% reduction on the previous year, primarily achieved through consolidation of our manufacturing operations.

Case study: Driving energy efficiency at Fletchers Bakery

Following recommendations from a project funded by the Carbon Trust in 2004/05, staff at the Fletchers Bakery site implemented a number of energy efficiency measures during 2005/06. These ranged from the installation of a colour coded traffic lights system to heighten staff awareness about energy efficiency, the introduction of better control systems on compressors and staff training through meetings, posters and leaflets to educate people about better energy management, both at home and at work.

Target 3: To reduce absolute waste levels produced by Northern Foods by 15% over the next three years

Northern Foods aims to reduce absolute levels of waste produced by 5% based on an estimated 60,000 tonnes of waste across the business in 2005/06. Specifically, the company has set targets for reducing the amount of waste going to landfill by 5% and for increasing the amount of waste being recycled by 5%.

Case study: Recycling used cooking oils

Our Pennine Foods site identified that oils used in frying some of its Chinese products could be recycled after the cooking process. Working with an environmental organisation we have developed a method of segregating this cooking oil and selling it to a specialist company for conversion into bio-fuels. We are now adopting this approach across all our sites.

Case study: Tackling packaging waste

In conjunction with one of our retail partners, Northern Foods packaging technologists successfully applied for funding from the WRAP (Waste Resource Action Programme) Innovation Fund to develop a reduced weight ready meal pack. The team will be looking at a range of packaging options, with an emphasis on sustainable sourcing, and is due to publish its finding in January 2008 when the results of the research will be made available industry wide. It is estimated that this project could deliver savings of around 216 tonnes of packaging a year for Northern Foods, and significantly reduce its environmental impact.

Case study: Exploring sustainable technology

Northern Foods continued to provide guidance and assistance on key research projects in 2005/06. This included being a member of a project funded by the Department of Environment, Food and Rural Affairs' (Defra) LINK initiative, which is working on the development of starch based biodegradable packaging. The research is currently being undertaken by Brunel University and as a potential end user, Northern Foods has been active in helping to shape the research to reflect industry needs. Similarly the company is a partner in a government funded project which seeks to help to reduce carbon emissions within the food sector. This is exploring a number of solutions, including 'Trigeneration', which will combine electricity generation, heating and refrigeration in a single process in order to maximise the use of energy.

(Source: Page 25, CSR Report, Northern Foods Plc)

This document is out of date. Withdrawn 19/07/2018

Northern Foods clearly describes targets in the Corporate Social Responsibility section of its annual report and accounts rather than in the Business Review. Unlike Boots it also describes its absolute emissions in accordance with Government Guidelines. However, Northern Foods shows the data as part of a narrative rather than in a tabular format which made its exemplary reporting a little difficult to find.

Extract: Tate & Lyle Plc

Environment

Tate & Lyle's environmental policy is for all our operations to be conducted in light of our responsibilities towards the natural environment in which we live and work, and to comply with relevant laws, regulations and consents, which may vary from location to location. The Board reviews environmental performance and the policy annually.

Tate & Lyle continues to subscribe to the principles of the International Chamber of Commerce's Business Charter for Sustainable Development. In accordance with Group policy, all locations fully integrate environmental management into their operational systems and procedures.

Environmental impacts are many and varied. When reviewing our environmental footprint, it has always been Tate & Lyle's policy to focus particularly on those impacts which have most effect on the environment and over which we have direct control. Our three most significant environmental impacts are, in order of magnitude, energy use, water use and non-hazardous solid waste production.

Energy use is by far our most significant impact, and we therefore give it the highest priority. Managing our impacts for a positive result is good for the environment and also brings economic benefits to Tate & Lyle.

Calendar year 2005 results

- Energy consumption reduced by 3.6%.
- Water consumption increased by 1.3%.
- Non-hazardous waste production increased by 7.7%.

We focus our measurement and our improvement efforts on the area that have most environmental and financial impact. For example, on the 2005 energy bill, every 1% improvement in our energy index offers a cost saving estimated at £1.9 million. An equivalent improvement in the water index offers a saving of some £145,000, while a 1% improvement in the non-hazardous waste index saves around £30,000.

We are therefore pleased to report that energy consumption, our most significant impact both environmentally and economically, showed a good reduction on a per unit basis of 3.6%, beating our Group target of 3.0% per annum. Non-hazardous waste production has increased this year due to major construction projects under way in a number of locations, for example, our new plant in Singapore and expansions at two of our plants in the US. Once these projects are complete, we expect to return to decreasing the amount of non-hazardous waste we produce.

Violation, abatement and compliance orders

The vast majority of our operations completed 2005 without incident. Where Tate & Lyle inadvertently contravened regulations, incidents were minor and we reacted immediately to correct the problems.

Managing environmental impacts

Managing environmental impacts is very important at Tate & Lyle. Environmental risks are included in the Group-wide risk management process, and are reviewed and assessed regularly. For more information, see the sections on Risk Factors on pages 24 and 25 and Corporate Governance on page 52.

Measuring data

To manage our environmental footprint to the benefit of the environment and the Company we collect detailed data and report results from each operating unit quarterly, using a comprehensive system that has been validated by our Internal Audit department. We then normalise the data to reflect the amount of product manufactured. This protects the commercial sensitivities of the data while allowing us to report publicly on our progress, and make comparisons between years. The data is then aggregated to create a single set of indices for the Group, adjusted to take account of acquisitions and disposals.

Training

Employees receive regular training on managing environmental impacts and changes in legislation, so that they are always aware of the issues. Many operating units have environmental management committees that meet regularly to discuss progress.

This document is out of date. Withdrawn 19/07/2018

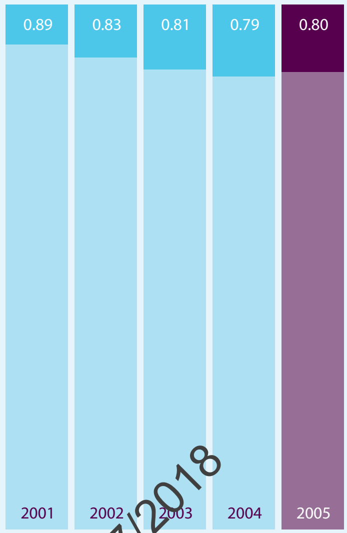
Customers and suppliers

We work closely with our customers to ensure our systems meet their requirements. We brief all contractors on key environmental issues to make sure that we are managing our environmental impact effectively and, in the UK, we have begun working with contractors to help them improve business efficiency and decrease their impact on the environment.

Outlook

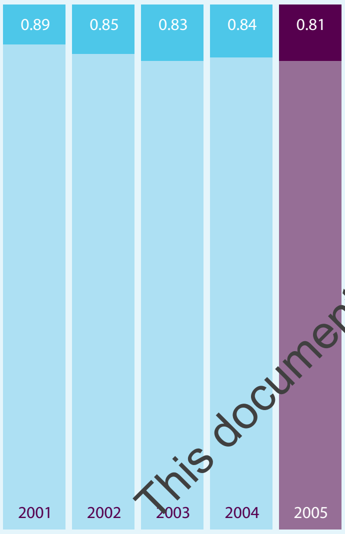
The production of value added products for our customers consumes considerable energy. Our ongoing challenge is to reduce environmental impacts, energy in particular, while growing the business and developing these products. We will continue to manage our environmental footprint as efficiently as possible, ensuring that we build environmental concerns into our processes as we develop new products.

Group water index



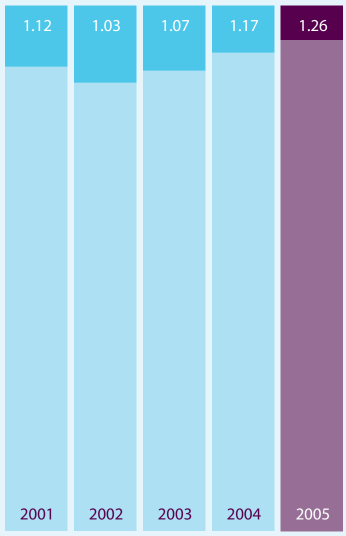
The smaller the index, the better the performance.

Group energy index



The smaller the index, the better the performance.

Group non-hazardous solid waste index



The smaller the index, the better the performance.

(Source: Page 28, OFR, Tate & Lyle Plc)

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Tate & Lyle describes its three most significant impacts: energy use, water use and non-hazardous solid waste production. Encouragingly it describes how it has managed to reduce these impacts, and sets out the positive impact on the business as a result: a 3.6 per cent reduction in energy consumption has resulted in estimated savings of £1.9 million. While the company has clearly gone to great efforts to collect the data, it is presented in the form of an index for each category. This makes it difficult to understand what the absolute emissions for the business are.

It is therefore impossible to compare the figures with disclosures by other companies. The company justifies its policy of indexation on the basis that to provide absolute data would be to divulge commercially sensitive data. However, as a member of the EU ETS, it has to notify its UK emissions to the register maintained by the Environment Agency. The UK emissions data is therefore already in the public domain. (See page 30 for Trucost's analysis of this).

Provisions for liabilities and charges

Provisions and liabilities disclosure in unaudited sections of annual reports and accounts

The Directors' Report covers all sections of the annual report and accounts except the Accounts or Notes to the Accounts. It is reviewed for any inconsistencies with the Accounts but no more. It makes sense therefore to examine references to environmental provisions and liabilities outside the audited sections of the annual report and accounts.

Very few companies referenced provisions and liabilities in an environmental context – even though one might expect resource-intensive sectors such as basic materials, industrials, oil and gas, and utilities to report these. It has to be assumed that where environmental provisions have been identified or liabilities recognised they have not been separately identified, that is they have been grouped in with all other provisions or liabilities. Of the five instances where provisions and liabilities were identified two were in the utilities sector and one in each of the industrial, consumer goods and the basic materials sectors. The companies that mentioned provisions and liabilities were: Invensys, SSL International, Scottish Power, National Grid, and Vedanta Resources. Three mentions were in the Notes to the Accounts and the remainder were in the Business Review and Operating and Financial Review sections.

Environmental assets

The disclosure of environmental resource assets is required under International Accounting Standards for resource-intensive companies such as the oil and gas and mining sectors. However, other environmental assets are seldom disclosed. However, new standards allow for this, for example International Accounting Standard 41 allows forestry to be recognised as a biological asset. These new standards look set to increase the recognition of natural resources as natural assets in annual reports and accounts. The EU Emissions Trading Scheme also gives rise to environmental assets in the form of rights to emit greenhouse gases – as reported by British Energy.

Summary

Companies are required to provide descriptions of their environmental liabilities and the provisions they make for them – or of their potential obligations in the case of contingent liabilities. If these costs are not expected to be financially material then they will not be included in this category (they will simply be expensed as a part of the normal course of business).

Statements with reference to environmental provisions and contingent liabilities given in the unaudited sections of the annual report and accounts tend to refer to the existence, lack of existence, financial amount and occasionally, accounting policies. In future companies would also be expected to disclose more about environmental assets.

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The next steps

The environment has found its way into most annual reports and accounts. The environmental challenges that face us, locally, nationally and globally, mean that environmental reporting is set to increase dramatically. Increasingly, companies are being forced by regulation and competitive pressures to recognise the environment as a scarce resource or as a depreciating asset. However, the companies that provide useful facts and figures are still too few and far between. Regulators and businesses must work together so that accepted, normal good practice delivers the relevant, comparable figures on which decision-makers can rely.

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Shareholders have a legitimate right to know the environmental impacts associated with the companies in which they invest. Environmental costs are often described as ‘external’ costs because the organisations that are responsible for them all too often do not have to pay them. These costs are nonetheless very real. They exhibit themselves through regulatory compliance costs and environmental taxes and through financial instruments such as the EU Emissions Trading Scheme or simply as damage to human welfare or future opportunity.

Shareholders and society at large are increasingly demanding more information on the environmental consequences of the economic activities of companies. Responsible companies are responding to those demands. The vigour with which certain sections of society assert these demands can give the mistaken impression that it is difficult or expensive for companies to provide the necessary information for investors, regulators and the Government to make better informed environmental decisions. The Government’s own research and its Guidelines firmly refute this view. More than 80 per cent of companies need to report five or fewer environmental key performance indicators to cover all the environmental impacts that are, or are likely to be, material and 60 per cent have three or fewer. The data is not difficult for companies to collect; almost all of it can be derived from utilities or fuel bills or from other data sources which companies routinely maintain and report. Environmental sustainability is a prize of huge economic value, which can only be achieved through a better understanding of environmental costs.

The Governments ‘Reporting Guidelines for UK Business’ and the Accounting Standards Board’s Reporting Statement described in this report offer companies advice and suggest best practice to make this important goal achievable.

APPENDICES

Companies highlighted are those which give absolute figures for waste, CO_2 emissions and water use

Company Name	ICB Industry	FTSE Index	OFR	Business Review	Both	Other
3I Group PLC	Financials	FTSE 100	-	Yes	-	-
Acal PLC	Industrials	FTSE All-Share	-	-	-	Chief Exec Review and Finance Director's Review
AEA Technology PLC	Industrials	FTSE All-Share	-	-	-	Operating Review
Alba PLC	Consumer Goods	FTSE All-Share	-	Yes	-	-
Atkins (WS) PLC	Industrials	FTSE 250	Yes	-	-	-
Aveva Group PLC	Technology	FTSE All-Share	-	-	-	Chief Executive's Review and Financial Review
AWG PLC	Utilities	FTSE 250	-	Yes	-	-
BAA PLC	Industrials	FTSE 100	Yes	-	-	-
Babcock International Group PLC	Industrials	FTSE 250	-	Yes	-	-
Big Yellow Group PLC	Financials	FTSE All-Share	-	Yes	-	-
Boots PLC	Consumer Services	FTSE 100	Yes	-	-	-
British Airways PLC	Consumer Services	FTSE 100	-	Yes	-	-
British Energy Group PLC	Utilities	FTSE 100	-	Yes	-	-
British Land Company PLC	Financials	FTSE 100	Yes	-	-	-
BSS Group PLC	Industrials	FTSE 250	Yes	-	-	-
BT Group PLC	Telecommunications	FTSE 100	Yes	Yes	Yes	-
BTG PLC	Health Care	FTSE All-Share	Yes	-	-	-
Burberry Group PLC	Consumer Goods	FTSE 250	-	Yes	-	-
Business Post Group PLC	Industrials	FTSE All-Share	Yes	-	-	-
Cable & Wireless PLC	Telecommunications	FTSE 100	-	-	-	Overview and performance by business
Carphone Warehouse Group PLC	Consumer Services	FTSE 250	Yes	-	-	-
Charles Stanley Group PLC	Financials	FTSE All-Share	Yes	-	-	-
Chloride Group PLC	Industrials	FTSE All-Share	Yes	-	-	-
Cranswick PLC	Consumer Goods	FTSE All-Share	Yes	-	-	-
Dairy Crest Group PLC	Consumer Goods	FTSE 250	Yes	-	-	-
Detica Group PLC	Technology	FTSE All-Share	Yes	Yes	Yes	-
Domestic & General Group PLC	Financials	FTSE All-Share	-	-	-	None
Dyson Group PLC	Basic Materials	FTSE All-Share	Yes	-	-	-
E2V Technologies PLC	Industrials	FTSE	-	-	-	Business Overview, Chief Exec's Report, Financial Review
Electrocomponents PLC	Industrials	FTSE 250	-	Yes	-	-
Emap PLC	Consumer Services	FTSE 250	Yes	-	-	-
EMI Group PLC	Consumer Services	FTSE 250	Yes	-	-	-
Expro International Group PLC	Oil & Gas	FTSE 250	Yes	-	-	-
Findel PLC	Consumer Services	FTSE 250	-	-	-	Finance Director's Review
First Group PLC	Consumer Services	FTSE 250	-	-	-	Chief Exec Review and Finance Director's Review
FKI PLC	Industrials	FTSE 250	Yes	Yes	Yes	-
Fuller Smith & Turner PLC	Consumer Services	FTSE All-Share	-	-	-	Chief Executive's Review of Operations
Games Workshop Group	Consumer Goods	FTSE All-Share	-	Yes	-	-
Goldshield Group PLC	Health Care	FTSE All-Share	-	-	-	CEO Operating review and report of the Finance Director

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Company Name	ICB Industry	FTSE Index	OFR	Business Review	Both	Other
Great Portland Estate PLC	Financials	FTSE 250	-	-	-	Our Market and Our Business and Our Financial Position
Greene King PLC	Consumer Services	FTSE 250	-	Yes	-	-
GUS PLC	Consumer Services	FTSE 100	-	Yes	-	-
Halfords Group PLC	Consumer Services	FTSE 250	-	-	-	Chief Exec Review and Finance Director Report
Halma PLC	Industrials	FTSE 250	-	Yes	-	-
Hampson Industries PLC	Industrials	FTSE All-Share	-	Yes	-	-
Helical Bar PLC	Financials	FTSE All-Share	Yes	-	-	-
Hitachi Capital (United Kingdom) PLC	Financials	FTSE All-Share	-	Yes	-	-
Homeserve PLC	Industrials	FTSE 250	Yes	-	-	-
Hornby PLC	Consumer Goods	FTSE All-Share	-	-	-	Chief exec report
Hyder Consulting PLC	Industrials	FTSE All-Share	-	-	-	Financial Review
Icap PLC	Financials	FTSE 250	Yes	-	-	-
Imagination Technologies Group PLC	Technology	FTSE All-Share	-	-	-	Overview - reviews products and market trends
Invensys PLC	Industrials	FTSE 250	-	Yes	-	-
Investec PLC	Financials	FTSE 250	Yes	-	-	-
Jarvis PLC	Industrials	FTSE All-Share	Yes	-	-	-
Johnson Matthey PLC	Basic Materials	FTSE 100	Yes	-	-	-
Kelda Group PLC	Utilities	FTSE 100	-	Yes	-	-
Kingston Communications (Hull) PLC	Telecommunications	FTSE All-Share	-	-	-	None
Land Of Leather Holdings PLC	Consumer Services	FTSE All-Share	-	Yes	-	-
Land Securities PLC	Financials	FTSE 100	Yes	-	-	-
London Merchant Securities PLC	Financials	FTSE 250	Yes	-	-	-
London Stock Exchange Group PLC	Financials	FTSE All-Share	-	Yes	-	-
Man Group PLC	Financials	FTSE 100	-	Yes	-	-
Marks & Spencer Group PLC	Consumer Services	FTSE 100	Yes	-	-	-
McKay Securities PLC	Financials	FTSE All-Share	Yes	-	-	-
Mitie Group PLC	Industrials	FTSE 250	-	-	-	COO Review and a Group Finance Director Review
National Grid PLC	Utilities	FTSE 100	Yes	Yes	Yes	-
Northern Foods PLC	Consumer Goods	FTSE 250	Yes	-	-	-
Northumbrian Water Group PLC	Utilities	FTSE 250	-	Yes	-	-
Paypoint PLC	Industrials	FTSE All-Share	Yes	-	-	-
Pennon Group PLC	Utilities	FTSE 250	-	Yes	-	-
Plasmon PLC	Technology	FTSE All-Share	-	-	-	Chief Exec Review and Finance Director's Review
Protherics PLC	Health Care	FTSE All-Share	-	Yes	-	-
Quintain Estates & Development PLC	Financials	FTSE 250	Yes	-	-	-
QXL Ricardo PLC	Consumer Services	FTSE All-Share	-	-	-	CEO Review and Financial Review
Robert Wiseman Dairies PLC	Consumer Goods	FTSE All-Share	-	Yes	-	-
RPC Group PLC	Industrials	FTSE All-Share	-	-	-	None
Sabmiller PLC	Consumer Goods	FTSE 100	-	Yes	-	-
Salvesen (Christian) PLC	Industrials	FTSE All-Share	Yes	-	-	-
Scottish & Southern Energy PLC	Utilities	FTSE 100	-	-	-	None, but Director's Statement goes through what would be a Business Review
Scottish Power PLC	Utilities	FTSE 100	-	Yes	-	-
Severn Trent PLC	Utilities	FTSE 100	Yes	-	-	-
Shanks Group PLC	Industrials	FTSE 250	-	Yes	-	-

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Company Name	ICB Industry	FTSE Index	OFR	Business Review	Both	Other
Speedy Hire PLC	Consumer Goods	FTSE All-Share	Yes	-	-	-
SSL International PLC	Consumer Goods	FTSE 250	-	-	-	Financial Review
Tate & Lyle PLC	Consumer Goods	FTSE 100	Yes	-	-	-
Thus Group PLC	Telecommunications	FTSE All-Share	-	-	-	None, but Director's Statement goes through what would be a Business Review
Tribal Group PLC	Industrials	FTSE All-Share	-	Yes	-	-
Umeco PLC	Industrials	FTSE All-Share	-	-		Chief Exec Review and Finance Director's Review
Uniq PLC	Consumer Goods	FTSE All-Share	-	-	-	Chief Exec Review
United Utilities PLC	Utilities	FTSE 100	Yes	-	-	-
Vedanta Resources PLC	Basic Materials	FTSE 250	-	Yes	-	-
Viridian Group PLC	Utilities	FTSE 250	Yes	-	-	-
Vodafone Group PLC	Telecommunications	FTSE 100	-	Yes	-	-
VP PLC	Industrials	FTSE All-Share	-	Yes	-	-
VT Group PLC	Industrials	FTSE 250	Yes	-	-	-
Wagon PLC	Consumer Goods	FTSE All-Share	Yes	-	-	-
Wincanton PLC	Industrials	FTSE 250	-	Yes	-	-
Workspace Group PLC	Financials	FTSE 250	Yes	-	-	-
Yell Group PLC	Consumer Services	FTSE 100	Yes	Yes	Yes	-

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1 Available at http://www.environment-agency.gov.uk/environmentalfinance

2 Reporting Guidelines for UK Business are available at http://www.defra.gov.uk/environment/business/envrp/guidelines.htm

3 The Companies Act 1985 Regulations 2005 [S.I. 2005/ 1011]

4 Companies Bill [Lords] (formerly known as Company Law Reform Bill [Lords]) http://www.publications.parliament.uk/pa/pabills/200506/companies.htm

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On 12 January 2006, the Companies Act 1985 (Operating and Financial Review)(Repeal) Regulations 2005 (SI2005/3442) came into force removing the legal requirement for listed companies to prepare an OFR.

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13 See http://www.fin47.com/control_deficiencies.htm.

14 http://www.icbenchmark.com/

Acknowledgements

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About Trucost

Trucost Plc is an environmental research business. We help companies and investors to understand the environmental impacts of business activities in financial terms. Trucost offers expert advice and research to major corporations, both public and private, to institutional investors and to Government departments and associated agencies. We worked with the UK Government to produce the environmental reporting Guidelines for UK businesses that were released in January 2006.

Over the past six years Trucost has studied more than 3,000 major companies worldwide and built up a database of their environmental impacts and disclosures. Our database of disclosures on climate change is the largest in the world. We have unparalleled experience and expertise in the area of environmental performance, analysis and reporting. We work with leading companies in a range of business sectors. These companies include Avis, Bloomsbury Publishing, Burren Oil, Christian Salvesen, Prudential, LogicaCMG and Legal & General.

Institutional investors use Trucost's research to support due diligence and active engagement. It enables them to use environmental performance measurement in their investment decisions. Our clients include Hermes, Henderson Global Investors, Fortis Investments and Merrill Lynch Investment Managers. Institutional investors also use the information to assess the environmental footprint of their portfolios – giving them a better understanding of their environmental risk.

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