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Environmental Disclosures

In the Annual Report & Accounts
of companies in FTSE All-Share

PART 1

TRUCOST PLC
taking the environment into account

ENVIRONMENT AGENCY

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The Environment Agency is the leading public body protecting and improving the environment in England and Wales.

It's our job to make sure that air, land and water are looked after by everyone in today's society, so that tomorrow's generations inherit a cleaner, healthier world.

Our work includes tackling flooding and pollution incidents, reducing industry's impacts on the environment, cleaning up rivers, coastal waters and contaminated land, and improving wildlife habitats.

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Foreword

A key priority of the Environment Agency, identified in our corporate strategy, is 'greening business'. This aims to reduce the impact on the environment and to bring about environmental improvements in business of all sizes, from large companies listed on the London Stock Exchange to small privately owned enterprises.

In addition to using our regulatory powers, we also encourage companies to assess and then reduce environmental risks and impacts and publicly report and summarise their performance against targets to their customers, shareholders, and wider stakeholders in their statutory Annual Reports and Accounts, with supporting data on their internet web-sites.

In responding to the Company Law Review, we stated that environmental disclosures need to be clear, comparable, and compulsory (as for financial information). Without this, customers, the City, shareholders and potential investors cannot truly assess and influence behaviour and future prospects of listed companies relative to others.

Moreover companies that manage their environmental risks and reduce their consumption of natural resources can save money, which benefits their profitability and public reputation.

We commissioned this study to provide a baseline of the current environmental disclosures of FTSE All Share companies before the new Company Law regulation, requiring listed companies to produce an “Operating and Financial Review”, and the implementation of various EU environmental regulations such as the Emissions Trading Scheme and the Environmental Liability Directive. We intend to repeat the study in 2006.

Howard Pearce

Howard Pearce

Head of Environmental Finance and Pension Fund Management

July 2004

About Trucost

Trucost plc is an environmental research company that was founded in 2000 to help companies understand the environmental impacts of their business activities and to develop a platform that would facilitate more disclosure. Trucost provides data and analysis on company emissions and natural resource usage and presents these in financial as well as quantity terms. The external cost methodology employed by Trucost ranks a company's environmental impacts in order of significance, enabling directors and auditors to focus their efforts on those impacts that are likely to be material to their business. This also forms a transparent process with which a company and its auditors can assess whether it should make a public disclosure under the proposed Operating and Financial Review regulations. By presenting environmental performance in financial terms, Trucost research provides the basis for improved dialogue between the companies and investors or other stakeholders.

Trucost provides research to fund managers, analysts and other commentators on over 1,700 companies worldwide, including the entire FTSE All Share. Trucost has the support of an International Advisory panel of eleven leading academics in the fields of economics and the environment who lend their considerable experience to the specialist research staff located in London.

The Environment Agency has commissioned Trucost to carry out this study on its behalf.

www.trucost.com

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FTSE Sector Reference (Part 2)

The following sectors are analysed in detail in Part 2 of this report, available for download as a separate electronic document at www.environment-agency.gov.uk/business or www.trucost.com/FTSEdisclosure.html. Page numbers refer to pages in Part 2 of this report.

Executive summary

- 89% (507 companies out of 570) of FTSE All Share companies discuss their interaction with the environment in their Annual Reports and Accounts.

  But, the vast majority lack depth, rigour or quantification and 11% (63 companies) disclose nothing at all.

- 72% (415 companies) make a reference to environmental policies.

  But, less than 50% report on a subject other than their environmental policy which in itself is not a measure of environmental performance.

- 58% (328 companies) report on one topic out of water, waste, energy use and climate change.

  But, only 10% report on all three.

- Only 24% (136 companies) of the FTSE All Share make any quantitative environmental disclosures . Companies with environmental management systems do so more frequently.
- Only 17% (96 companies) of the FTSE All Share refer to climate change risks.
- Only 12% (69 companies) make environmental disclosures in the audited sections of their Annual Reports and Accounts under existing tests of materiality. 88% do not regard the environment as a material business risk.
- Only 11% (35 companies) of FTSE 350 companies link environmental issues to financial performance.
- Only 5% (18 companies) of FTSE 350 link environmental issues to shareholder value.
- Only 4% (23 companies) mention the Environment Agency, yet information provided to the Agency could be useful to shareholders.
- FTSE All Share companies need to pay more attention to environmental issues in their Annual Reports and Accounts.
- Guidance on relevant key performance indicators would help companies decide which environmental disclosures are necessary to meet the requirements of the forthcoming Operating and Financial Review.

Background

The Environment Agency commissioned Trucost to produce this study of environmental disclosure within the statutory Annual Reports and Accounts of FTSE All Share companies. It is the belief of the Environment Agency that companies' interactions with the environment are of significant financial importance and this study is therefore focussed on environmental disclosures within Annual Reports and Accounts.

The Environment Agency is seeking to establish a baseline of current disclosure levels in order to assess future progress towards greater corporate transparency in this area. The timing was chosen to be in advance of forthcoming Operating and Financial Review (OFR) regulations and the EU Modernisation Directive which have new mandatory environmental reporting requirements. Listed companies will be required to produce an OFR to accompany the Annual Reports and Accounts and to disclose within it environmental policies and performance where such information is necessary for shareholders, *'to assess the strategies adopted by the company and the potential for those strategies to succeed'.* Although Directors will have the discretion to decide whether or not to include environmental matters in the OFR, the process employed to make this decision will be subject to auditor review. The EU Modernisation Directive states that, where appropriate Annual Reports should contain, *'an analysis of environmental and social aspects necessary for an understanding of the company's development, performance or position'*, and that, *'the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters'.*

This report covers the constituents of the FTSE All Share Index. When the study was initiated (December 2003) the FTSE All Share Index had 684 constituents. 114 Investment Trusts were excluded from the analysis as they exist principally to own the shares or securities of other companies. Investment Trusts are unlikely to have large direct environmental impacts and giving consideration to the impacts of the companies they own would involve an element of double counting. Therefore this study analysed 570 companies in the FTSE All Share.

This is the extended version of a shorter report available in print, and is can be downloaded at www.environment-agency.gov.uk/business or www.trucost.com/FTSEdisclosure.html in two parts: part one contains the results of the FTSE All Share study, and an extended methodology. Part 2 contains the sector-by-sector analysis of environmental disclosure, designed to be used as a reference document. It contains disclosure profiles for 34 of the 36 FTSE sectors.

Results from the FTSE All Share study

The basic findings of the report indicate that the vast majority (89%) of companies mention some aspect of their interaction with the environment. This may have been limited to a single mention of one of the key words the study was designed to identify. As such it would be wrong to conclude from this raw statistic that companies already regard their environmental impacts as an important and core subject for discussion. Closer examination of these disclosures revealed that the vast majority lack rigour, depth or quantification and very few could be described as comprehensive or adequate for shareholders to assess environmental risks or opportunities facing a company. The environmental topics disclosed by the most companies are given in Table 1.

Table 1. Environmental topics and frequency of environmental disclosures that were made by 100 companies or more.

Topic	Number of Companies	Number of occurrences
Environmental policy	413	878
Corporate social responsibility	268	437
Waste management	250	535
Environmental management system	150	267
Energy	138	185
Water	123	181
Environmental target	104	146

Environmental policy is the most commonly disclosed environmental topic within the Annual Reports and Accounts of FTSE All Share companies. Although 72% of companies include a reference to environmental policies, these vary between a statement that such a policy exists and, more commonly, a description of the policy itself. Environmental policies are designed to achieve a number of environmentally positive outcomes such as waste reduction and efficient energy use, which often benefit companies financially. They may also help to improve investor relations and public perception. There is some evidence of companies simply reproducing a standard environmental policy statement. Shareholders need to be able to distinguish between effective and ineffective environmental policies, and the only way they can do this is to look beyond the policy at achievements against targets. The existence of an environmental policy is, in itself, no measure of environmental performance.

Almost half (47%) of FTSE All Share companies' Annual Reports and Accounts mention Corporate Social Responsibility or CSR. In 29% of cases CSR is mentioned with reference to a separate report on CSR issues that the company has produced. In this study, where reference is made to these reports in Annual Reports and Accounts, this has been noted and recorded but the separate reports themselves have not been analysed.

The next most common area of discussion is waste management which is referred to in 44% of reports, although less than 10% provided quantitative data. There is some evidence that the Landfill Tax and Producer Responsibility Obligations (packaging waste) has stimulated these disclosures.

Environmental Management Systems (EMS) are mentioned in 26% of reports. Resource intensive industries and heavy industries are more likely to have EMSs in place and to discuss them. Companies that have an EMS in place and report on it disclose more quantitative information. Of all reporters in the FTSE All Share, 27% report quantitatively, but this number rises to 49% amongst those companies that have an EMS in place and report on it. This is most probably due to data availability. 20% of the FTSE All Share mention ISO 14001 explicitly, which has become the predominant standard in this area.

Only 17% of FTSE All Share companies refer to climate change, out of these only 38% (6% of FTSE All Share) provide quantitative information. Similarly, 24% of the companies disclose their energy use, although 25% of them (6% of FTSE All Share) offer quantitative data. Notably, with the mandatory EU Emissions Trading Scheme imminent and Climate Change Levy already in force, there is a lack of direct acknowledgement of future opportunities and potential revenues and/or liabilities that will result. There is not enough quantitative disclosure of greenhouse gas emissions by the affected companies. Quantitative disclosure relating energy use to output, as recommended by Defra in its environmental reporting guidelines, would allow shareholders to make easy assessments of energy efficiency across companies and sectors.

Only one fifth (22%) of companies report on water use. This rises to over 30% for companies in high water use sectors. Disappointingly however, as water is one of the core performance indicators in the Defra reporting guidelines, less than 17% of these disclosures provide quantitative information. This data is particularly easy to collect from utility bills or, in the case of companies that abstract water directly, it is required by the Environment Agency in support of permits. In general there is little discussion of the potential business risks that may arise from lack of compliance with Environment Agency.

58% of FTSE All Share companies report on at least one topic out of waste, water and energy/climate change, and 30% of companies report on two or more of these indicators. Remarkably, only 10% of the FTSE All Share, 55 companies, report on waste, water and energy/climate change and even less provide quantitative information. This is particularly surprising given that the Defra guidelines clearly state that all companies have these impacts and should report on them as a minimum. There is obviously still a long way to go before companies are reporting fully on their environmental performance.

Of the 63 companies in the FTSE All Share that make no reference to environmental topics in their Annual Reports and Accounts, 27% disclose some form of environmental information elsewhere (for example on a website or separate report). This still leaves 46 companies in the FTSE All Share that make no mention of the environment either in their Annual Reports and Accounts or in a supplementary report.

Linking environmental disclosure to business performance

It is significant that direct links between management of environmental risks and shareholder value are almost non-existent. As a part of this study the Environment Agency asked Trucost to examine the quantitative environmental disclosures of FTSE 350 companies and to identify whether these disclosures are being explicitly linked to financial performance. Only 35 companies in the FTSE 350 (11% of the study group) make a link between the environment and some aspect of their financial performance and only 17 (5% of FTSE 350) explicitly link it to shareholder value. The level of quantitative disclosures rises with the size of the company. 49% of the reporters in the FTSE 100 provide quantitative disclosures. The percentage decreases to 30% in the FTSE 250, and to 13% in the FTSE Small Cap.

The Environment Agency can impose fines and pollution abatement costs and can remove permits and operating licences from FTSE All Share companies and their subsidiaries. It is therefore surprising that only 4% of FTSE All Share companies mention it in their Annual Reports.

Only 69 companies in the FTSE All Share (12%) make environmental disclosures in the audited sections of their Annual Reports and Accounts. Although many disclosures can be found in the reports these are only reviewed by auditors for consistency with the accounts. As very few of them give quantitative information, and still fewer express this in financial terms, auditor reviews are very limited in scope. Only 27% of FTSE All Share companies that do make environmental disclosures provide quantitative data and within the FTSE 100 this figure only rises to 49%. The scope of auditor reviews will be significantly expanded by the OFR regulations as currently drafted. Auditors will have to state that the Directors' report and the OFR were compiled after *'due and careful'* enquiry and are consistent with the accounts. Additionally they will have to report whether, during the course of their audit, they found any matters that were inconsistent with the information in the OFR. Auditors will have to include a positive statement to this effect in their reports which are published within Annual Reports and Accounts.

The type and scale of a company's environmental impacts are largely dependent on the business activities in which it is involved, or in other words, the industry sector to which it belongs. Intuitively, environmental reporting levels should correlate with sectors in accordance with the scale of their environmental impacts. However, by far the most striking finding was that overall reporting levels were not clearly related to the differing scale of environmental impacts across sectors. Currently company size is as important as industry sector as a driver for reporting. It might be more logical if the companies with the greatest environmental impact rather than the largest market capitalisation disclosed more.

Conclusions and recommendations

In summary environmental disclosure levels in Annual Reports and Accounts were found to be low. Only 10% of FTSE All Share companies use their Annual Reports and Accounts to satisfy the minimum environmental reporting standards that Defra recommends for all companies. Quantification is rare and links between environmental performance and shareholder value are seldom made. Only 12% of FTSE All Share companies appear to regard the environment as a financially material business risk or opportunity. 72% of the companies in this study have, and refer to the existence of, an environmental policy but under a third of those (30%) reveal that they use an environmental management system to implement their policy.

Disclosures relating to environmental policy, management and performance are more often linked to a concept of CSR rather than being an integral part of the core management and financial performance of the business. This lack of a direct link is disappointing. Many shareholders will be left querying the significance of environmental issues to the bottom line and consequently ignore them, unless the link is made more explicitly.

Environmental policies and environmental management systems should generate relevant , useful and quantitative environmental performance data, yet this information is disclosed to shareholders infrequently. Information that is supplied to the Environment Agency, Defra and the EU is not being sufficiently utilised for the benefit of informing shareholders about the environmental risks and opportunities that companies face.

This study reveals that few FTSE All Share companies currently report in a way which would fulfil the environmental criteria of the draft OFR regulation. There is overall very little consistency in either the type or quality of information that they disclose. The establishment of a consistent set of guidelines with relevant key performance indicators is needed if the OFR objective of producing consistent, comparable and relevant environmental disclosure is to be achieved. Given that data for the new OFRs will have to be collected from January 1st 2005 these guidelines and performance indicators need to be established soon.

Introduction

Objective and scope of this study

The environmental disclosure study aims to establish a baseline of current reporting levels prior to the implementation of the Operating and Financial Review (OFR) and other mandatory reporting requirements (some of which are from EU directives on company law, others derive from anticipated environmental regulations). It aims to inform Environment Agency thinking and policy on corporate environmental disclosures with specific reference to emerging international, European and national legislation and guidelines.

It is the study's objective to analyse quantitatively the level of environmental disclosure in the statutory Annual Reports and Accounts of FTSE All Share companies, and to compare disclosure levels between FTSE 100, FTSE 250 and FTSE Small Cap companies. The analysis of the FTSE All Share constituents is based on a high-level screen of disclosures in Annual Reports and Accounts, and identifies, where possible, the drivers behind disclosures in the current regulatory and business environment. It is complemented by a more detailed analysis of the scope and quality of environmental reporting in the Annual Reports and Accounts of the FTSE 350 Index and in companies with dual listings in the stock markets of more than one country.

The core element of the methodology used was an electronic word search, designed to identify any references to specific environmental topics in Annual Reports and Accounts. Any occurrences of environmental disclosure, both words and data, were stored in a database and analysed to answer a variety of questions.

This report covers the constituents of the FTSE All Share Index. When the study was initiated (December 2003) the FTSE All Share Index had 684 constituents. 114 Investment Trusts were excluded from the analysis as they exist principally to own the securities of other companies. Investment Trusts are unlikely to have large direct environmental impacts and giving consideration to the impacts of the companies they own would involve an element of double counting. Removal of investment trusts left 570 companies to be analysed.

Policy background and the Operating and Financial Review

The EU Commission's recommendation on the recognition, measurement and disclosure of environmental issues in the Annual Reports and Accounts of companies (2001/45 3/EC), issued 30th May 2001, states 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 the environmental information disclosed by companies to be either inadequate or unreliable'.* The recommendation points out that environmental information is, *'often disclosed in a variety of non-harmonised ways among companies and/or reporting periods'* and that, *'there is little guidance directly related to such matters and no specific international accounting standard solely focused on environmental issues'.*

The commission is 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'.*

This can be seen as the context for both the Modernisation Directive (2003/51/EC L178/16 17th July 2003) and the draft regulations introducing the OFR, as the EU Commission, *'believes that to meet the objectives of the recommendation, action by Member States is necessary'.* The EU Modernisation Directive states that, where appropriate, Annual Reports should contain *'an analysis of environmental and social aspects necessary for an understanding of the company's development, performance or position'* and that *'the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to particular business, including information relating to environmental and employee matters'.*

The OFR regulations, as currently drafted, will require companies to disclose environmental policies and performance where such information is necessary for shareholders, '*to assess the strategies adopted by the company and the potential for those strategies to succeed'.* Although Directors will have the discretion to decide whether or not to include environmental matters within the OFR, the process employed to make this decision will be subject to auditor review.

The OFR regulations, as drafted, have incorporated elements from the Modernisation Directive with the result that auditors will now have to report*, ' whether in their opinion the directors have prepared the review (OFR) after due and full enquiry; whether in their opinion the information given in the OFR is consistent with (the) accounts (and); whether any matters have come to their attention, in the performance of their functions as auditors of* *the company, which in their opinion are inconsistent with the information given in the OFR'.* Thus a positive auditor's statement will in future be required.

The OFR must *'state whether it has been prepared in accordance with relevant reporting standards, and contain particulars of, and reasons for, any departure from such standards'.* The standards are to be set by the Accounting Standards Board (ASB) and enforced by the Financial Reporting Review Panel (FRRP).

Although the draft OFR regulations do not make environmental disclosures mandatory (directors have discretion over what is included) they can reasonably be expected to increase environmental disclosure levels.

The forthcoming EU Prospectus Directive is also expected to influence future reporting. It requires *'a description of any environmental issues that may affect the issuer's utilisation of the tangible fixed assets'*. Importance is placed throughout the Directive on the '*prominent disclosure*' of risk factors that may affect the issuer's equity, debt and derivative securities. This allows for the inclusion of environmental risks. To ensure these risks are adequately explained in documents submitted to the FSA '*they intend to seek advice from the Environment Agency as and when appropriate'*.

It is the Environment Agency's view that environmental issues can be linked to the financial performance of businesses and quantitative data is required to achieve this. It is difficult to imagine circumstances where company directors can decide whether or not environmental disclosures are necessary for shareholders, *'to assess the strategies adopted by the company'*, without giving full and proper consideration to the financial implications of any environmental impacts disclosed.

What drives environmental disclosure?

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

Accounting and reporting standards

All UK listed companies are required to file Annual Reports and Accounts with Companies House. Accountancy standards are set by the Accounting Standards Board who publish Financial Reporting Standards (FRS). These standards are enforced by the Financial Reporting Review Panel (FRRP). From 2005 all listed EU companies will be required to report in accordance with International Accounting Standards. Dual listed companies also have to comply with listing requirements for financial reporting in the countries in which they have an additional listing.

In the UK there are no explicit reporting standards that require a company to disclose information on environmental issues in its Annual Report and Accounts, although a company with environmental provisions or contingent liabilities is required to disclose the amount and circumstances surrounding them in its Annual Report and Accounts under FRS12. Companies are also obliged, under FRS10 (recognition of tangible and intangible assets) and FRS11 (impairment of assets), to account for changes to asset values stemming from environmental factors, where they are of the opinion that such factors are financially material. The EU Emissions Trading Scheme, which comes into effect in January 2005, is likely to increase reporting under these FRS. However, the response of companies to draft regulations requiring listed companies to publish an Operating and Financial Review (OFR) may result in a significant increase in environmental disclosure levels.

Table 2. Accounting and reporting standards

Country	Description	Date	Scope	Comments
International / EU / UK	IAS 38 – Intangible Assets	2005	All EU listed companies	IAS equivalent of FRS 10
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
EU	EU Commission Recommendation (2001/453/EC)	No date set	Not specified	On the recognition, measurement and disclosure of environmental expenditures, liabilities and risks and assets and the company's attitude to the environment and environmental performance to the extent it may affect the financial position of the company.
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 Assets & Goodwill	Existing (1985 & 1989)	All UK registered companies	Covers the revaluation of fixed assets such as land or buildings land that are contaminated or impaired in some other way by pollution. Includes impairment due to regulatory or statutory changes.
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 company accounts including contingent obligations under pending regulations. A descriptive note on each provision is required.
UK	Operating and Financial Review	2005/6	All UK quoted companies	The OFR should contain information and analysis of trends and factors underlying the financial results and current financial position of the company.
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 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.

Regulatory drivers

Since 1972 over 200 pieces of environmental legislation have been passed in Europe[1]. 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. The recent legislation on environmental liability and the legally binding commitment to reduce greenhouse gas emissions to 8% of 1990 levels by 2012, through the use of an innovative emissions trading scheme, are examples of the EU implementing these principles.

At EU and national levels, economic instruments, such as environmental taxes, are being introduced and give rise to company expenditures that can be identified and disclosed in Annual Reports and Accounts. Similarly, the increasing application of the 'polluter pays' principle may give rise to remediation provisions which may be identified and disclosed in this way. Environmental regulations often have reporting provisions to the relevant regulatory authority, in England and Wales the Environment Agency and in Scotland the Scottish Environment Protection Agency (SEPA). Environmental taxes and incentives also have disclosure requirements to HM Customs & Excise and HM Inland Revenue.

The Environment Agency, SEPA and other foreign environmental protection agencies have the authority to deny a company's license to operate or close or restrict operations. In these circumstances the financial materiality of regulations stems from the potential risk associated with the loss of 'license to operate' and compliance with environmental conditions of these licenses. This is an important source of quantitative data that is insufficiently utilized to augment financial reporting and subsequently inform the decisions of investment analysts and shareholders. Often this is because the data is organized on an installation, rather than company, basis. The main regulations applying to companies operating in the UK and Europe are given in Table 3. Major regulations in other nations are also included. The list is not exhaustive and does not cover all regulations in other countries in which UK listed companies may operate.

[1] EU SCADPlus Summary of Legislation http://europa.eu.int/scadplus/leg/en/lvb/l28066.htm

Table 3. Regulatory drivers

Country	Description	Date	Scope	Comments
EU	Environmental Liabilities 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	European Pollutant Emissions Register	Existing (2003)	Companies regulated by IPPC	Reporting on 50 pollutants every three years by all companies regulated by the IPPC. Like the UK Pollution inventory this is on a site level and reported by subsidiary companies 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.
UK / EU	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 which is publicly available.
EU / UK	EU Emissions Trading Scheme	2005	Specific sectors with more than 20MW thermal input capacity	Potentially neutral impact on balance sheet but permits are expected to be treated as intangible assets whilst 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 of quantities of emissions of a variety of pollutants on a site basis to the Environment Agency's Pollution Inventory which 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 providing opportunity for 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 operate landfill sites (includes also producer responsibility).
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 providing opportunity for reporting.
UK	Climate Change Levy	Existing (2000)	All UK operating companies excluding domestic fuel supply	Tax and tax credit mechanisms. Should be reviewed for their inclusion in statutory accounts.
UK	Aggregates Tax	Existing (2002)	Companies with UK mining and const. operations	Tax on per tonne of sand gravel or rock quarried for aggregate. This information is only disclosed to the Revenue but is collected providing 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 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 clean-up and law creating liability on the polluter for remediation caused by release of hazardous substances.
USA	Emergency Planning & Community Right to Know	Existing (1986)	Companies emitting 'listed' pollutants in US	Introduced under SARA, the Act created the obligation of companies emitting hazardous substances above a threshold to submit quantitative disclosures at site level to the EPA Toxic Release Inventory.

Listing requirements

In the UK the Combined Code, introduced in July 2003, requires listed companies to report that there is a risk management programme in place to review those controls annually and identify any shortcomings. Risk management in this context includes environmental risks and it appears that the code may be encouraging increased discussion of sustainability issues at senior management level[2].

The EU Prospectus Directive requires 'a description of any environmental issues that may affect the issuer's utilisation of the tangible fixed assets'. Importance is placed throughout the Directive on the 'prominent disclosure' of risk factors that may affect the issuer's equity, debt and derivative securities. This allows for the inclusion of environmental risks. To ensure these risks are adequately explained in documents submitted to them, the FSA '*intend to seek advice from the Environment Agency as and when appropriate'*.

There are no specific listing requirements pertaining to the environment from the UK listing authority, the Financial Services Authority (FSA). A review of listing requirements has recently been undertaken which concluded that whilst the FSA believes *'that Social, Environmental and Ethical information is desirable for investors and that it increases transparency'* and that '*listed issuers should comply with [ABI Disclosure Guidelines on Social Responsibility]...it is not appropriate for [the FSA] to require compliance under the Listing Rules'* in light of the forthcoming OFR[3].

The Securities and Exchange Commission (SEC) in the US has required disclosure of environmental costs and liabilities for over 25 years, yet a 1998 study by the US EPA[4] found that 74 percent of companies failed to report on environmentally related legal proceedings that could result in financial costs of over $100,000 in their 10-K filings (statutory annual filings of financial information to the SEC). Directors are required to disclose information that would change '*a reasonable investor's view'* of the company. Although loose, this definition is expected to result in increased disclosure of, among other issues, environmental risks and liabilities as directors of companies 'play safe' in the face of the criminal sanctions for which the recent Sarbanes-Oxley Act provides. The draft OFR has followed a very similar approach.

The King Report on Corporate Governance for South Africa has made reporting to GRI guidelines on environmental and social matters a requirement for South African listed companies.

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[2] The Big Picture: how the environment influences corporate profit, ACCA 2003
[3] FSA Review of the Listing Regime CP203, October 2003
[4] Guidance on Distributing the Notice of SEC Registrants' Duty to Disclose Environmental Legal proceedings in EPA Enforcement Actions; EPA Office of Enforcement and Compliance Assurance 1998

Table 4. Listing requirements

Country	Description	Date	Scope	Comments
UK	The Combined Code	Existing (2003)	All UK listed companies	Brings together the recommendations of the Cadbury, Greenbury and Hampel committees in a new code on corporate governance.
EU	Prospectus Directive	Existing (2003)	All new issues of securities in the EU	Issuers must disclose "a description of any environmental issues that may affect the issuer's utilisation of the tangible fixed assets". Also any issuer or industry specific risks in the share prospectus of new issues which could include environmental.
USA	Sarbanes-Oxley Act	Existing (2002)	All US listed (including UK listed in US)	Requirement to disclose material risk, including environmental risks.
South Africa	King Report on Corporate Governance for South Africa (King II)	Existing (2003)	All South Africa listed (including UK listed in SA)	Require the use of Global Reporting Initiative (GRI) guidelines for disclosing social and environmental performance.
Australia	CLERP 9 (Audit Reform & Corporate Disclosure) Bill	Existing (2004)	All listed Australian companies	Similar in approach to Sarbanes-Oxley, disclosure of issues that allow investors to assess business strategies and future prospects and would include environmental issues where relevant.

Other non-mandatory influences

Companies are faced with demands for information from a number of different stakeholder groups – local communities, non-governmental organisations (NGOs), regulators, employees, customers and, of course, shareholders. These demands are often received in the form of questionnaires to which a company may feel obliged to respond in order to avoid damaging its reputation. BT Group recently stated that they receive 200 questionnaires a year.[5] This proliferation of questionnaires has resulted in 'questionnaire fatigue'.

In recent years there have been voluntary initiatives set up to provide a standard reporting format for non-financial information. These have been designed to avoid the data duplication within questionnaires in order to reduce the burden on companies. They also give guidance on what to report and what measures to use. Many of these guidelines have been sector-based initiatives driven by trade bodies and the companies themselves. The two main industry-wide reporting standards used in the UK are the Defra Reporting Guidelines and the Global Reporting Initiative (GRI). These guidelines are voluntary.

Table 5. Other non-mandatory influences

Country	Description	Date	Scope	Comments
International / UK	Sector specific guidelines	Existing (Various)	Various sectors	Standardised reporting formats designed to address issues specific to a sector's stakeholders.
International	Global Reporting Initiative (GRI)	Existing (1997)	All & Sector Specific	Standardised reporting format covering economic, environmental and social issues.
International	WBCSD GHG Reporting Standards	Existing (2001)	All	Popular standards for measuring / estimating GHG emissions, setting targets and reporting on emissions.
International	Carbon Disclosure Project	Existing (2002)	FT500 (Financial Times top 500 global listed companies)	Initiative by institutional investors to encourage the Fortune 500 companies to disclose their carbon dioxide emissions.
UK	Defra Guidelines	Existing	All UK companies & Sector Specific	Defra issued guidelines on environmental reporting, similar format to GRI.
UK	SIGMA Guidelines	Existing (1999)	All UK companies	Guidelines comprising a management framework and reporting toolkit for social, environmental and economic reporting.
UK	Association Of British Insurers: Disclosure Guidelines On Socially-Responsible Investment	Existing (2003)	All UK listed companies	High level rather than specific guidelines on the approach company Boards should take when assessing Social, Ethical and Environmental (SEE) issues and reporting on them. The guidelines also include, as an Appendix, questions that investors may put to the Board regarding SEE issues.

[5] New Technology Could Relieve Questionnaire Fatigue, Ethical Finance March 2004

Methodology

Definitions

Electronic Word Search	Computer-based search for specific search phrases in electronic documents.
(Key) Environmental Topic	Core area of environmental concern or core environmental impact or issue, defined prior to the electronic word search.
Search Phrase	Words or parts of words used in the electronic word search to detect references to key environmental topics.
Occurrence of Disclosure	Any occurrence of a search phrase during the electronic word search.
Record	An entry of an occurrence and related in the database constructed for this study.

Impetus and scope

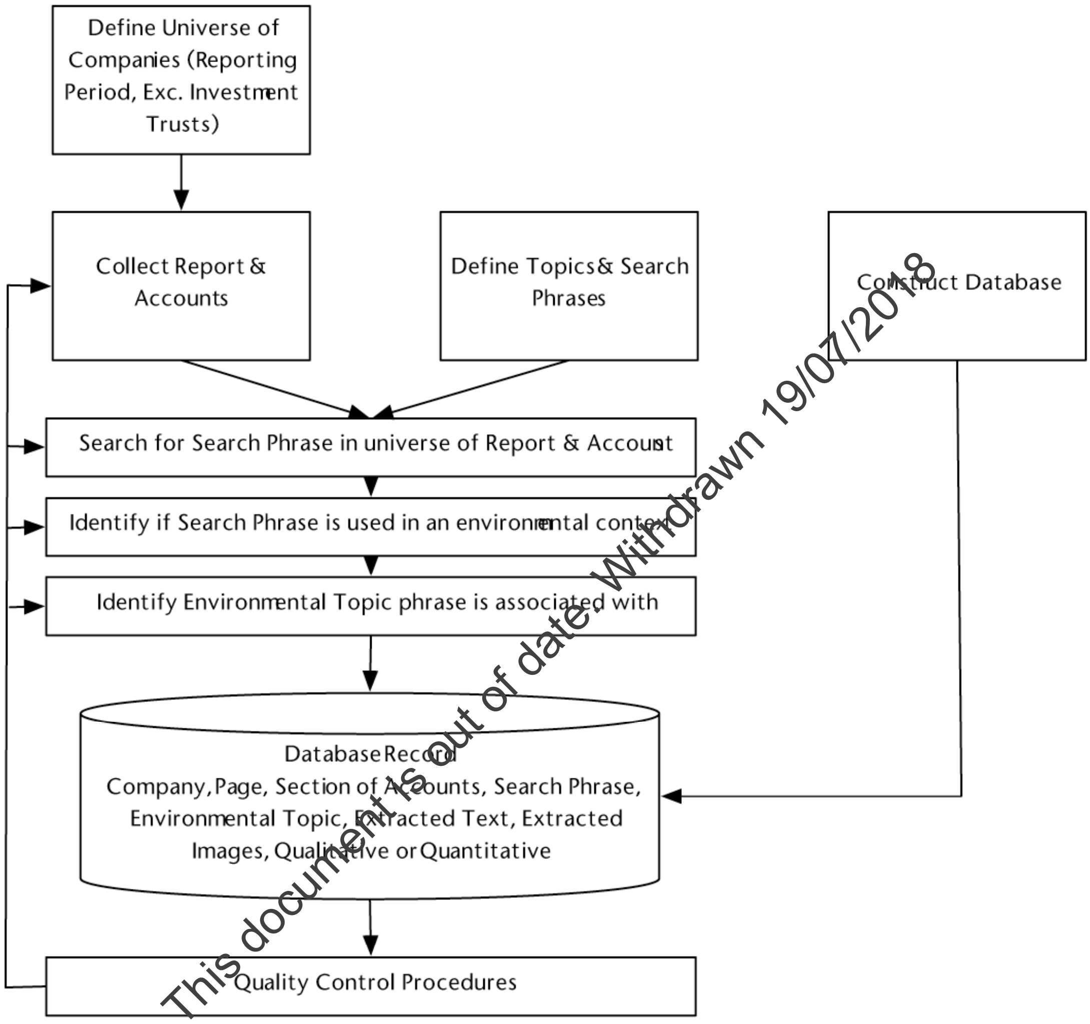
The Environmental Disclosure Study responds to the need for a baseline of current reporting levels prior to the implementation of the Operating and Financial Review (OFR) and other mandatory requirements. It aims to inform Environment Agency thinking and policy on corporate environmental disclosures with specific reference to emerging International, European and national legislation and guidelines.

It is the study's objective to analyse quantitatively the level of environmental disclosure in the Annual Reports and Accounts of FTSE All Share companies, and to compare disclosure levels between FTSE 100, FTSE 250 and FTSE Small Cap companies. The analysis of the FTSE All Share constituents is based on a high-level screen of disclosures in Annual Reports and Accounts, and identifies, where possible, the drivers behind disclosures in the current regulatory and business environment. It is complemented by a more detailed analysis of the scope and quality of environmental reporting in the Annual Reports and Accounts of the FTSE 350 Index and in companies with dual listings.

An electronic word search, designed to identify any references to specific environmental topics in Annual Reports and Accounts was used. Any occurrences of environmental disclosure were stored in a database and analysed to answer a variety of questions. A schematic diagram of the methodology can be found in Figure 1.

This report does not intend to provide any overall grade, score or ranking of companies. Some judgement, however, has been made about levels and quality of environmental disclosure, based on indicators such as the extent of quantitative reporting or discussion of the financial implications of environmental impacts. While the greatest of care has been taken to present this as an objective assessment, when analysing qualitative statements some subjective assessment is required.

Figure 1. Schematic diagram of the methodology used to derive the data for the study



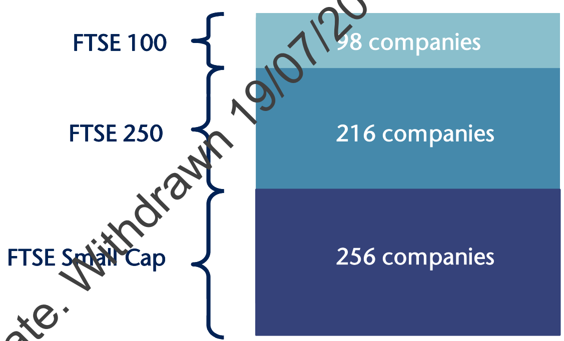
The universe of companies

This report covers the constituents of the FTSE All Share Index (99% of UK listed companies by market capitalisation).[6] When the study was initiated (December 2003) the FTSE All Share Index had 684 constituents.

114 Investment Trusts were excluded from the analysis as they exist principally to own the securities of other companies. Their direct environmental impact is therefore negligible. Removal of investment trusts left 570 companies to be analysed.

The adopted approach comprised of a high level analysis of reporting levels for the FTSE All Share Index, and a detailed analysis of levels and quality of reporting for the FTSE 350 Index. The FTSE 350 Index is split into the FTSE 100 Index (100 most highly capitalised companies, representing approximately 80% of the UK market) and the FTSE 250 Index (mid-capitalised companies, not covered by the FTSE 100, representing approximately 18% of UK market capitalisation).[7]

Figure 2. Universe of Companies - Breakdown of the FTSE All Share Index



The sector analysis in this study used the FTSE Global Classification System. This is comprised of 10 broad economic groups such as Resources or Cyclical Consumer Industries, containing 36 economic sectors such as Mining, Oil & Gas, or Automobiles. Industry sub-sectors that also form part of the FTSE Global Classification Scheme, that were not used for the analysis.

Time period

This report is based on Report and Accounts for which the fiscal year end date (balance sheet date) lies between 1st October 2002 and 30th September 2003.

[6] FTSE Group
[7] http://www.ftse.co.uk/indices_marketdata

Collection of Annual Reports and Accounts

The objective of the study was to analyse the extent of environmental disclosure within Annual Reports and Accounts. These were obtained for all FTSE All Share constituent companies.

All public UK companies are required to file their accounts with Companies House within seven months from the company's financial year-end. These accounts are audited and must include:

- a **profit and loss account**
- a **balance sheet**
- an **auditor's report**
- a **directors' report**
- notes to the accounts
- **group accounts** (if appropriate).

The inclusion criterion of a company's Annual Report and Accounts in this study is that it includes the accounts as defined above. In addition, most Annual Reports and Accounts of publicly listed companies include one or more of the following:

- Statements of senior officers (e.g. Chairman, CEO, Finance Director)
- Operating Review
- Financial Review
- Operating and Financial Review

These sections are audited to the extent that they contain no material mis-statement or any material inconsistencies with the financial statements. Companies increasingly include separate sections on corporate governance and on corporate social responsibility or the on Health, Safety and Environment (often entitled CSR Report or HSE Report). These sections are rarely audited although they may be subject to some internal or external verification process.

The reports for each company were collected, where available, in electronic format to facilitate the electronic search. The majority of FTSE All Share companies publish their Report and Accounts in electronic format, available as a download from the company's website. The most common format is Adobe® Acrobat (552 out of 570 companies), or HTML (2 out of 570 companies). A minority of companies (16 out of 570) produce only a paper version, which was also obtained.

Quality control steps

A report collection log was maintained and various double-checks carried out to locate every set of Report and Accounts published by a FTSE All Share company.

In every set of Annual Report and Accounts the contents page was checked to ensure that the contents included the sections as defined in the inclusion criterion (see above). Six companies provide a Directors' report and Accounts and an Annual Review rather than a full Annual Report and Accounts. Directors' reports and Accounts do not include an explicit Chairman's Statement or Operating Review. Annual Reviews generally contain summary financial statements but not complete accounts. In these cases both the Annual Review and the Directors' report and Accounts were combined for the purpose of this study, and used instead of Annual Reports and Accounts.

The financial year-end was checked to ensure it conformed to the convention laid out in the study, i.e. accounting year end is between 1st October 2002 and 30th September 2003.

Supplementary environmental reporting

While many FTSE All Share companies produce a stand-alone environmental, sustainability, HSE or CSR report in addition to their Annual Reports and Accounts, or publish environmental data on their websites, this study focuses on disclosures in Annual Reports and Accounts in the light of the upcoming Operating and Financial Review (OFR). Our approach, however, acknowledges any reference in Annual Reports and Accounts to supplementary publications by recording those references.

Key environmental topics and search phrases

The core component of this study was an electronic word search conducted on a full compilation of Annual Reports and Accounts of the FTSE All Share (see previous section). The word search aimed to detect disclosures of a selection of *key environmental topics.* To detect these topics, *search phrases* were used (a detailed description of the word search methodology can be found in the next section). It is important to make a distinction between the key environmental topics and the search phrases. The search phrases are used to identify references to key environmental topics and are not topics in their own right.

Key environmental topics

The definition of key environmental topics to be investigated is a critical element of the methodology employed in this study. Some of the chosen topics would affect companies across all sectors, whereas other topics are more relevant to some sectors or sector groups than to others. As this study aims to record every occurrence of environmental disclosure, very broad 'catch-all' *search phrases were* employed.

There are a number of environmental topics that can reasonably be expected to be discussed in Annual Reports and Accounts under the current legislative environment, and the upcoming Operating and Financial Review (OFR) regulations are expected to increase disclosure levels.

Inputs/Outputs. The first group of environmental topics researched in this study refer to specific direct impacts that a company may have on the environment through its operations.

> **Resource Use.** Natural resources are all the materials taken from the environment; they include metals and minerals, coal and aggregates as well as raw materials such as wood or animals such as fish. Unsustainable levels of resource use cause environmental damage in many ways, for example through loss of habitat, reduction in water flow and quality, loss of biodiversity, and pollution associated with the extraction of metals and minerals. Most of these impacts are covered in more specific environmental topics; *Resource Use* contains more generic references to resource use, and also captures any references to metals, minerals and coal extraction and their associated environmental impact.
>
> **Water.** This sections combines two issues:
>
> *The use of water resources.* The unsustainable use of water resources has a direct impact on the environment. Water resources are depleted, natural areas may dry out, or salt-water intrusion affect coastal areas.
>
> *Water pollution.* In 2002 the Environment Agency recorded 29,000 pollution incidents in England and Wales. These events involved household and commercial

wastes, fuels and oils, and sewage. Main polluters were the Sewage and Water industry, followed by Waste Management and other industries[8]. Polluting incidents can make water unsuitable for human consumption or recreational use. Some polluting substances may be bio-accumulative and represent a high level risk both to the environment and to human health. In many cases, however, the cause-effect relationship is difficult to determine.

Energy Use. The production and consumption of energy has a significant impact on the environment. Fossil fuels are the primary source of energy, and their combustion gives rise to increased levels of air pollution (including acid rain precursors, ozone depleting substances and particulates) and concentrations of greenhouse gases in the atmosphere.

Waste Management. Economic growth and changes in consumer and commercial behaviour have led to an increase in the generation of municipal waste, including packaging waste. A shift from landfill to recycling is happening slowly, but knowledge about the sustainable management of materials and waste streams is not yet widespread. The Environment Agency regulates waste management through a system of licences, registers and monitors waste transportation (including special wastes), and advises on waste management methods.

Pollution. This broad environmental topic comprises emission of pollutants to air, water and land (unless they are already covered in a specific topic such as *climate change*), as well as measures to prevent pollution.

Climate Change. There is a growing scientific consensus that greenhouse gas emissions, primarily carbon dioxide, methane, nitrous oxides and other gases, are major contributors to climate change. Rising average temperatures and sea levels and an increase in the frequency of weather-related incidents are the main consequences.

Acid Rain. Fossil fuel combustion causes the emission of SO_2 and NO_x into the atmosphere, where they form a mixture of mild sulphuric and nitric acid. The precipitation of this mixture is known as Acid Rain, and causes damage to trees at high elevations, acidification of lakes and rivers, and the accelerated decay of paints and building materials.

Biodiversity/Land Use. The loss of biological diversity (biodiversity) is recognised as a threat to human well-being and as an obstacle to sustainable development. Caused by a variety of destructive activities, it results in the loss of genes, species and

[8] http://www.environment-agency.gov.uk/yourenv/eff/pollution/296030/296054/?lang=_e

ecosystems. Businesses have an impact on biodiversity, for example through their use of harvested resources, unsustainable land use or water consumption.

Contaminated Land. Land contamination occurs at many industrial sites, through spillages, inadequate waste disposal and other damaging activities. Contaminated land is of concern because it presents a long-term threat to the environment and poses human health risks.

Other Environmental Impacts. This environmental topic covers all environmental impacts that are not already covered by any of the other environmental topics, for example radiation, noise or asbestos.

Management of Environment Issues. The second group of environmental topics is related to the corporate management of environmental impacts:

Environmental Management Systems (EMS). An environmental management system (EMS) is a systematic approach to the management of a company's environmental impacts and some are regulated under international standards such as ISO 14001. This environmental topic includes any form of EMS from internal non-accredited management systems to full group-wide ISO 14001 or EMAS accredited systems.

Environmental Target. Environmental objectives and targets are an essential part of any Environmental Management System. This environmental topic deals with any disclosures made on targets, and the demonstration of their achievement.

Environmental Policy. An environmental policy is the framework within which a company manages its main environmental impacts.

Environmental Risk Management. Business activities need to be managed in a way that minimises the risks of resulting environmental damage. A number of the drivers of environmental reporting discussed in this report such as the Combined Code require the disclosure of risk management procedures and controls. Included in this will be the environmental risk management dependent upon the company's activity.

Environmental Impact Assessment (EIA). EIA is a management process used to predict the environmental impact of a development project. EIAs are designed to anticipate potential problems at an early stage in the planning and design of projects.

Product in Use. Consumers increasingly demand a higher environmental quality of products and services. This also includes the environmental impact of the products while in use. The move towards more sustainable products means that producers already at the planning stage have to take the potential environmental impact of their product into account. This is also embodied in EU Producer Responsibility legislation.

Environmental Accounting. This term refers mainly to the incorporation of environmental costs and benefits into mainstream decision-making in companies. It covers two types of environmental accounting. Traditional environmental accounting measures capital and operating costs related to the control or reduction of a company's environmental impacts. Examples are investments in eco-efficient boilers or remediation expenditures. Triple bottom line or full cost accounting methods attempt to measure a company's external costs as well as its private costs, i.e. any cost borne by the natural environment, society, and/or individuals as a result of the company's activities but without any financial cost to the company.

Environmental Procurement. Increasing numbers of companies include environmental concerns into their supply chain management in order to improve their environmental performance.

Interaction outside the company. The third group of environmental topics is related to the interaction of a company with its regulators and civil society as a whole:

Compliance. Environmental regulations are subject to changes as standards improve. Companies are operating under a regulatory environment that increasingly places pressure on them to improve their environmental performance. In England and Wales, the Environment Agency is the primary environmental regulator. The EA issues permits, licences, consents and registrations, and initiates prosecutions for environmental crime. The coverage of compliance issues in Annual Reports and Accounts is therefore of particular interest to the Environment Agency.

Environmental Tax. The Landfill Tax, Climate Change Levy and Aggregates Tax are examples of environmental taxes that affect businesses in the U.K. The U.K. government aims to ensure that prices reflect environmental costs in line with the Polluter Pays Principle, and sees environmental taxes as an appropriate instrument to achieve this.

License to Operate. The license to operate is crucial for many industries such as mining or utilities. Permits are given by the regulator on the basis of environmental performance to a defined standard, and can be revoked if those standards are not fulfilled or regulations are not complied with. In England and Wales, the Environment Agency is the regulator that grants or revokes the license to operate. In a wider sense, the license to operate is now also used in the context of brand reputation and public expectations, for example the acceptance of planning applications by communities.

Provisions and Liabilities. A company that may face financial obligations in the future as a result of current or past business activities is required to state these in the Notes to the Accounts of its Annual Report and Accounts. These future financial obligations will in most cases refer to remediation of environmental impacts, such as those relating to the closure of mining operations.

Environmental Incident. Environmental incidents not only put the natural environment and human health at risk, but may also cause the company's license to operate to be revoked. These incidents are recorded by companies internally and sometimes in industry-wide self-regulatory databases.

Remediation. This environmental topic covers all references to remediation, restoration and rehabilitation of areas affected by environmental incidents or long-term environmental pollution. This is the most frequent source of environmental liabilities and the requirement for companies to provide for known or contingent remediation costs.

Verification. While parts of the Annual Report and Accounts must be audited by a certified external auditor, environmental reports that form part of the Annual Report and Accounts are generally not audited, and there is no requirement to do so. A company may choose to ask for an environmental audit of their EMS (ISO14001 publishes a list of accredited auditors), but this is by no means compulsory.

Sustainability/Corporate Social Responsibility (CSR). This topic is used to capture very general references to environmental issues that do not form part of any other of the environmental topics. For example, references to stand-alone environmental reports are registered under this topic.

These 26 environmental topics form the basis of the high level screen to cover all aspects of the business-environment interaction.

Search phrases

The approach applied to detect any references to the environmental topics above was based on a word search. A set of search phrases was determined for each of the environmental topics listed above. The choice of search phrases was assisted by the use of technical glossaries, for example the CIMA – Environment Glossary of Terms.[9] The search phrases were selected to ensure that all references to any environmental topic were captured. Therefore, the most common or most likely search phrases were selected for each topic. The set of search phrases for a specific environmental topic was not meant to provide a full description of all aspects of this topic.

[9] CIMA September 2000

For example, in order to detect references to the environmental topic 'Waste Management', Annual Reports and Accounts were searched for occurrences of the following search phrases:

- waste
- recycl
- packaging
- landfill
- toxic
- hazardous
- incineration

In some cases, word parts were used to pick up grammatical variations of a word. Each environmental topic has a default set of search phrases (or each search phrase is assigned to a default environmental topic). The seven search phrases listed above, for example, are the default search phrases for the environmental topic waste management. This does not mean, however, that every occurrence of a search phrase must be assigned to its default environmental topic: For example, the search phrase 'emission', by default belongs to the environmental topic 'pollution', but it could be assigned to the environmental topic 'climate change' instead if used in that context.

Table 6. Environmental topics and default search phrases.

Environmental Topics	Default Search Phrases
Resource Use	[10]
Water	Abstraction, Estuary, Groundwater, Harmful, Lake, Marine, River, Water
Energy Use	Efficienc, Energy Efficienc, Energy Usage, Green Energy, Renewable
Waste Management	Hazardous, Incineration, Landfill, Packaging, Recycl, Toxic, Waste
Pollution	Discharge, Emission, Pollut
Climate Change	Carbon Dioxide, CCA, Climate Change, CO_2, Flood, Greenhouse Gas
Acid Rain	Nitrogen Dioxide, Sulphur Dioxide
Biodiversity/Land Use	Biodiversity, Brownfield, Conservation, Ecol, Ecos, Forest, Greenfield, Habitat, Land Use, Wildlife
Contaminated Land	Contaminat
Other Environmental Impacts	Asbestos, CFC, Electromagnetic, Heavy Metal, Noise, Nuclear, Ozone, Radiation, Radioactive
Environmental Management System (EMS)	Emas, EMS, Environmental Audit, ISO 14001, ISO 14001
Environmental Target	Environmental Indicators, Environmental Objectives, Environmental Performance, Environmental Target
Environmental Policy	Environmental Polic
Environmental Risk Management	Environmental Risk
Environmental Impact Assessment (EIA)	Impact Analysis, Impact Assessment
Product in Use	Hazardous Substance[11]
Environmental Accounting	Environmental Expenditure, Environmental Liabilit, Environmental Provision, Triple Bottom Line
Environmental Procurement	Procurement, Supply Chain
Compliance	Enforcement, Environment Agency, Environmental Law, Environmental Regulation, Fines, IPC, IPPC, OMA, OPRA, Prosecution
Environmental Tax	Aggregates Tax[12]
License to Operate	Permit
Provisions and Liabilities	Environmental Liabilit, Environmental Provision
Environmental Incident	Accident, Spillage
Remediation	Cleanup, Decommission, Reclamation, Rehabilitation, Remedia, Restoration
Verification	External Audit
Sustainability/CSR	Health, Safety And Environment, HSE, Impact On The Environment, Safety, Health And Environment

[10] The Resource Use environmental topic had no default keywords but was based on several keywords from other topics such as forest, conservation, renewable and recycl.
[11] This environmental topic is generally referenced by a wide range of search phrases, most of which are assigned to other environmental topics by default.
[12] Other forms of environmental tax are picked up by other search phrases. For example, landfill tax – landfill, climate change levy – climate change.

Search methodology

The Annual Reports and Accounts of the FTSE All Share companies were subjected to an word search with the aim of identifying any references to pre-defined environmental topics (see previous section).

This word search was carried out electronically for those Annual Reports and Accounts that were available in electronic format, i.e. Adobe® Acrobat or HTML (554 out of the 570 companies). Where only a paper copy was available (16 out of 570 companies), the search was conducted manually.

The search results were logged in an Access 97 database along with the relevant text passage, the section of the accounts, the page number and the relevant environmental topic (see next section for the structure of the database records).

The word search and record creation followed the following process:

1. **Find the paragraph that contains the search phrase.** For Annual Reports and Accounts in Adobe® Acrobat format, the 'Search PDF' function in the Acrobat Reader was used. For Reports in HTML version, a downloaded version was searched using the 'Find' function in Windows Internet Explorer. For hard copy Annual Reports and Accounts, the documents were searched manually for search words by each analyst. The same process as below was then followed for Acrobat, HTML and hard copy reports.
2. **Identify if the search phrase is used in an environmental context.** As the focus of this study is environmental disclosure, any occurrence of a search phrase used in a non-environmental context was excluded from the database. For example, the search phrase 'Corporate Social Responsibility' used in a purely social context would have been excluded.
3. **Identify the environmental topic to which the paragraph refers.** If it is relevant to the default environmental topic for the search phrase, record. If not, select an alternative environmental topic and record there. As described in the previous section, references to environmental topics were found by using a default set of search phrases. However, the default environmental topic was not always suitable. For example, the search phrase 'emission', by default assigned to the environmental topic 'pollution', was assigned to the environmental topic 'climate change' instead if used in that context.

During the search, a number of additional rules were applied to avoid double counting or omissions of references. These rules are listed in the boxes below. The search required some degree of discretion on the part of the analyst, as not every occurrence of a search phrase can be definitively assigned to an environmental topic. In other cases, search phrases appear in an extremely vague environmental context, or in extremely general statements, and the analyst may decide not to record that occurrence.

It is important to note again that it was not the aim of the word search to pick up every single occurrence of all search phrases, but to use the search phrases to identify all environmental topics that a company discusses in its Annual Report and Accounts.

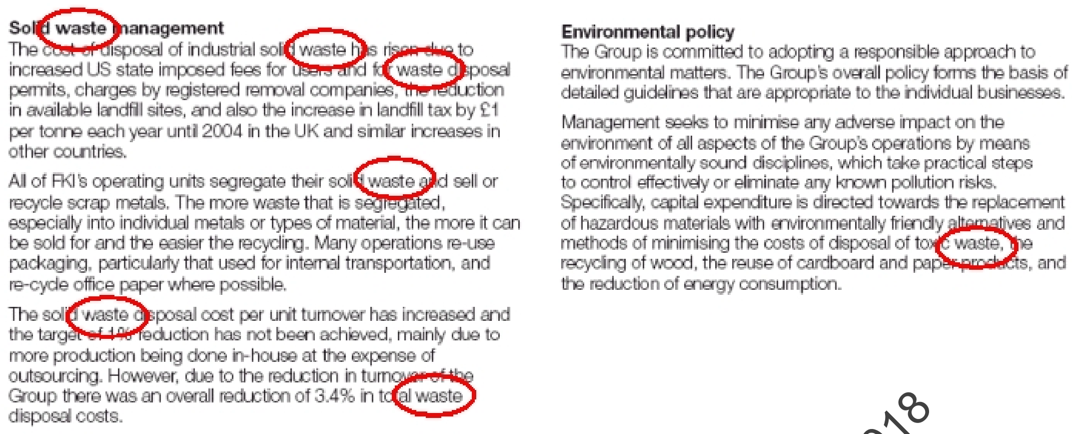
About 15% of all companies returned null results during the initial search. The Annual Reports and Accounts of these companies were subjected to an additional electronic search using the search phrases 'environmental' and 'the environment', which were not used in the general search. The search on the null results companies for these generic search phrases identified few additional returns.

Search Rules
Occurrences are only recorded if the word is used in an environmental context. For example: 'Corporate Social Responsibility' used in a purely social context will not be recorded.
Search phrases are assigned to default environmental topics. However, if encountered in a context that differs from the default environmental topic, the analyst assigns an appropriate environmental topic. The most specific environmental topic should be chosen. For example: The search phrase 'emission', by default assigned to the environmental topic 'pollution', can be assigned to the environmental topic 'climate change' instead if used in that context.
Repetitive occurrences of a search phrase in one paragraph are recorded once.
If a paragraph deals with one specific environmental topic, but contains several search phrases of that environmental topic, only one occurrence is recorded. For example, if the search phrases 'river' and 'water' belonging to the 'water' environmental topic appear in a single paragraph in the same context, then only one record is created.
Combinations of two search phrases belonging to the same default environmental topic are counted once.
Occurrences for 'CSR' are not recorded if in the same paragraph as 'corporate social responsibility'. This rule also applies to EHS and its variations, and CO_2/Carbon Dioxide.

Excluded Occurrences of Search Phrases
Search phrases were excluded if they appeared in glossaries and tables of contents as were cross-references, repeated references to website content, product advertising. Statements regarding the paper stock and printing process of the report itself were also excluded.
Occurrences of search phrases were excluded in reviews of the legislative environment if they did not contain any company-specific information. For example, a reference to 'the U.K.'s environmental target' without linking it to the company's environmental performance was excluded.
Occurrences of search phrases were excluded in repetitive statements, i.e. identical wording in different parts of the report. For example: wording from body text repeated in text box or caption.
Occurrences of search phrases were excluded if the respective environmental topic is part of the company's ordinary business activities. For example, search phrases from the 'waste management' environmental topic were not counted for a company that specialises in waste management, unless the occurrence referred to the company's own environmental performance.
References to the environment in relation to the company's product or services were not included unless the products or services had been specifically adapted to reduce the impact on the environment. For example references to waste were excluded for waste operators and references to renewable energy were excluded for energy providers unless they were mentioned in specific discussions regarding a company's environmental policy. This was to avoid distorting the results for a small number of sectors.
Occurrences of search phrases were excluded if they appeared in the context of charitable donations or refer to voluntary employee activities. Also excluded are references to activities that are directed at other groups in the community. For example: training in 'environmental awareness' provided in local primary schools was excluded as it did not provide information on the company's environmental performance or management.

Example

Figure 3. Results using the search phrase 'waste' for FKI Plc



Solid waste management
The cost of disposal of industrial solid waste has risen due to increased US state imposed fees for users and for waste disposal permits, charges by registered removal companies, the reduction in available landfill sites, and also the increase in landfill tax by £1 per tonne each year until 2004 in the UK and similar increases in other countries.

All of FKI's operating units segregate their solid waste and sell or recycle scrap metals. The more waste that is segregated, especially into individual metals or types of material, the more it can be sold for and the easier the recycling. Many operations re-use packaging, particularly that used for internal transportation, and re-cycle office paper where possible.

The solid waste disposal cost per unit turnover has increased and the target of 1% reduction has not been achieved, mainly due to more production being done in-house at the expense of outsourcing. However, due to the reduction in turnover of the Group there was an overall reduction of 3.4% in total waste disposal costs.

Environmental policy
The Group is committed to adopting a responsible approach to environmental matters. The Group's overall policy forms the basis of detailed guidelines that are appropriate to the individual businesses.

Management seeks to minimise any adverse impact on the environment of all aspects of the Group's operations by means of environmentally sound disciplines, which take practical steps to control effectively or eliminate any known pollution risks. Specifically, capital expenditure is directed towards the replacement of hazardous materials with environmentally friendly alternatives and methods of minimising the costs of disposal of toxic waste, the recycling of wood, the reuse of cardboard and paper products, and the reduction of energy consumption.

FKI mentions the word 'waste' several times. On the left, the word is used six times within the context of waste management in the CSR section of the Report and Accounts. This section (all three paragraphs) is entered into the database as an extracted image and stored as one record (Table 7, row 3). In addition, waste is mentioned (on the right) as a top priority in the context of FKI's Environmental Policy as disclosed in the Directors' report. The policy is copied and stored as a single record against the Environmental Policy topic (Table 7, row 4). Two other records, not shown here were also picked up for FKI using the word waste. One is in the context of FKI's EMS and the other a reference made within the Environmental Policy, both of which were found in the CSR section of the Report and Accounts.

Table 7. Records of the search phrase 'waste' from FKI Plc's Annual Report and Accounts

Company	Search Phrase	Assigned Environmental Topic	Section of Report & Accounts
FKI PLC	Waste	EMS	CSR
FKI PLC	Waste	Environmental Policy	CSR
FKI PLC	Waste	Waste Management	CSR
FKI PLC	Waste	Environmental Policy	Directors' report

Database structure

For every occurrence of a search phrase, the following information was recorded in an Access 97 database:

- Search phrase
- Key environmental topic
- Page reference for the search phrase (electronic page number, not document page number)
- The section of the report and accounts where the search phrase was found
- The extracted text from the document, and/or a screenshot of figures and tables
- A flag indicating whether the disclosure was quantitative or qualitative

A simplified database structure is shown in Figure 4. The database is relational, i.e. it is organized as a set of tables from which data can be accessed or reassembled in many different ways without having to reorganize the tables. One advantage of relational databases is that they can be extended and modified easily, i.e. categories and tables can be added without having to modify the existing structure. The database has been designed specifically to allow this study to be carried out again in the future and allow comparison between different years for the same companies.

Figure 4. Database structure (simplified). For a detailed structure diagram of the database, see Appendix

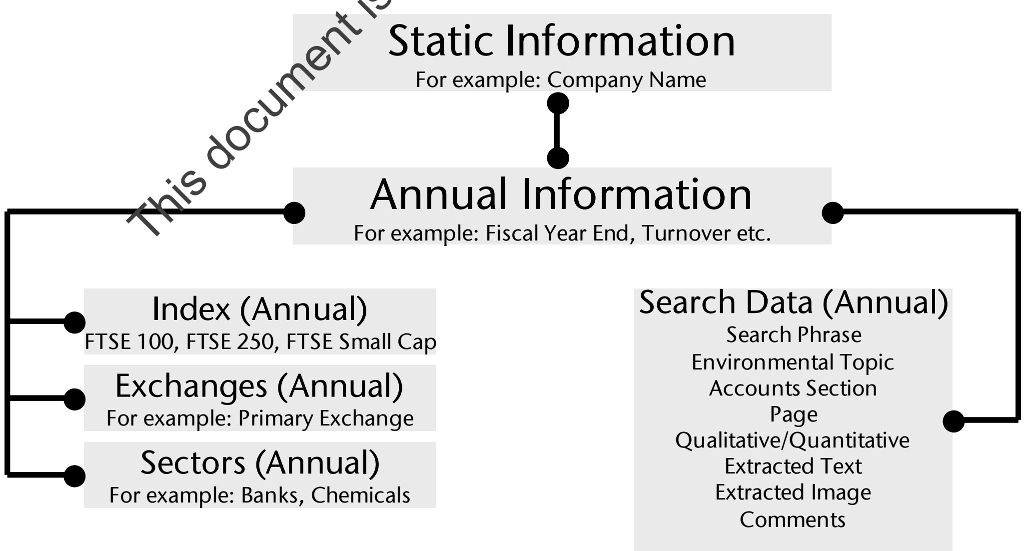


Figure 5. Example: Database record 221

Search Phrase	Waste	Report Section	CSR Report
Environmental Topic	Environmental Target	Quantitative/ Qualitative	Quantitative
Company	Barclays Plc	Extract Text	Progress in reducing water use, paper consumption and waste generation in the UK was achieved. Our UK paper use reduction targets for 2002 were met. Furthermore, our disposal of redundant electronic equipment in the UK no longer leads to land-filling.
Page Number	31	Extract Image	221.jpg
Search Phrase	Waste	Report Section	CSR Report

Figure 6. Extract stored with databases record 221

Direct impacts

	Unit of measurement	2002	2001	2000	Progress against target
Carbon dioxide (CO_2) emissions					
Total energy use and travel: UK	Tonnes CO_2	170,743	190,192	230,627	
Electricity and gas: UK	KWh/m²	297	295	320	2005 target: on-track
Business travel: UK	Grammes CO_2/km	144	160	151	2002 target: achieved
Energy use and travel: Barclays Private Clients: France, Spain and Portugal (BPC: F, S and P)	Tonnes CO_2	5,213*	#	#	
Water consumption					
UK	CuM/m²	0.56	0.59	0.57	2005 target: off-track
BPC: F, S and P	CuM/m²	0.98*	#	#	
Paper consumption					
Marketing and advertising, PFS paper use: UK	Tonnes	3,643*	5,319*	#	2002 target: achieved
Internal publications paper use: UK	Tonnes	202	338	#	2002 target: achieved
A4 copier paper: UK	Tonnes	2,571	2,637	#	2005 target: on-track
A4 copier paper: BPC: F, S and P	Tonnes	212	#	#	
Waste generation					
Waste paper recycled: UK	Tonnes	4,976	†	†	
Waste paper recycled: BPC: F, S and P	Tonnes	215	114	#	
Redundant Electronic Equipment (REE): UK					
– Items sold or donated	%	64	58	#	2002 target: achieved
– Items recycled or disposed	%	36	42	#	
– Of items recycled or disposed: reused within industry	%	93	87	#	2002 target: achieved

Key
* = Figure includes some estimation
# = Figure not available
† = Figure previously reported not a direct comparison to 2002

UK CO_2 conversion factors taken from DEFRA guidelines for Environmental Reporting at www.defra.gov.uk/environment/envrp/gas/05.htm

Electricity: 1KW = 0.43kg CO_2; Gas: 1KW = 0.19kg CO_2; Rail travel: 1km = 0.06kg CO_2; Short-haul air: 1km = 0.18kg CO_2; Long-haul air: 1km = 0.11kg CO_2

BPC CO_2 conversion factors for electricity taken from "The GHG Indicator: UNEP Guidelines for Calculating Greenhouse Gas Emissions for Businesses and Non-Commercial Organisations" ©2000.

France: 1KW = 0.040kg CO_2; Spain: 1KW = 0.322kg CO_2; Portugal: 1KW = 0.384kg CO_2.

Piloting and testing the methodology

Testing and quality control (QC) steps were integral parts of the methodology employed in this study. To make this study's results valid as a baseline of environmental disclosure in Annual Reports and Accounts, the key element, i.e. the word search, had to use an optimum selection of search phrases, and any errors made while recording the results needed to be reduced to an absolute minimum. Initial quality control checks highlighted a missing data rate of an estimated 2% in almost 3,800 records, i.e. references were discovered that the researcher had not entered in the database during the general search. We found that these errors were not systematic but occurred because the decision to include or exclude an occurrence of a search phrase was partly dependent on the analyst's discretion. They are therefore unlikely to introduce a systematic bias to the results of the study.

Testing and QC focussed on the following aspects, and were, where possible, carried out by a different analyst to minimise any subjectivity. The following quality control steps were taken:

Ensure an optimum selection of search phrases. A sample of 50 Annual Reports and Accounts were tested to ensure that an optimum set of search phrases was used, i.e. that the best possible return of occurrences could be achieved using the minimum amount of search phrases. As a result, a number of search phrases were replaced, added or removed. The final set consisted of the 106 search phrases listed in Table 6.

Secure a complete set of Annual Reports and Accounts of every FTSE All Share Company. More information on this step can be found in the section 'Collection of Annual Reports and Accounts'. This control highlighted 16 companies (2.5%) with missing sections to the accounts:

- 7 missing financial statements only
- 3 preliminary results only
- 2 missing majority of report and accounts
- 2 financial statements only
- 1 wrong year

Checks on companies with 'Null Results'. About 15% of the companies in the sample returned null results after the word search was carried out. To ensure that no reference to environmental topics had been overlooked,

- all companies with null results were scanned for the additional words “the environment”, “environmental” and “sustainab”,
- all companies that were ‘expected’ to produce a result based on the team’s past experience of dealing with these companies but had not, were double-checked
- a subset of companies with null results was submitted to a repeat word search.

Check that search phrase in recorded text extract corresponds to recorded environmental topic. As described in previous sections, text extracts found by searching for a specific search phrase were stored either under a default environmental topic or an appropriate environmental topic chosen by the analyst. All text extracts were checked for the search phrases contained in them:

- All records were automatically checked (using MS Excel) to ensure that the search phrase contained within the extracted text corresponded with the assigned environmental topic. In total 1.3% of all records were changed as a result of this control.
- 1,366 records (roughly 30% of all records) are assigned to an environmental topic that differs from the default environmental topic that the search phrase belongs to. The extracted text of all search phrases that were not recorded in their default environmental topic was rechecked manually. Out of this subset, 7.2% of records were changed. It is important to take into account that in situations where the search phrase was not assigned to its default environmental topic, the analyst was exercising discretion. As a result some of the 99 changes were made because the reviewer considered an alternative environmental topic to be more appropriate. The main environmental topics affected were Water and Environmental Impact Assessment; other changes were spread across a variety of environmental topics. It is estimated that about one third of the changes were due to an original erroneous selection and two thirds due to differences of interpretation.

Manual QC on random subsets of Annual Reports and Accounts. Two sets of 57 companies (10% of all companies) were selected at random (including two Annual Reports and Accounts in paper format) and subjected to an analysis of their records in the database.

For the first set of 57 companies, all records in the database were checked for correct page number, completeness of text references/extracted text and assigned environmental topic. Out of all records,

- 2.4% had a wrong page number stored. In all cases, however, the page numbers were only out by 2 pages, probably because the analyst had accidentally entered the document page number rather than the PDF page number (which usually differ because the numbering system used in the document doesn't usually include cover pages).

- None of the records had a wrong text reference or extract attached. In some cases, however, text extracts were expanded to aid comprehension.
- One record had a wrong environmental topic assigned.

The second set of 57 companies was subjected to a repeat word search, and the findings were compared with those stored in the database. All records were checked for missing occurrences, wrong environmental topics, wrong page numbers and incorrect assignment of the quantitative/qualitative flag. Out of all records,

- 2% were missing occurrences. Approximately half of these, however, were not clear cases, i.e. their inclusion depends on the analyst's judgement, for example because the link to environmental issues was not very strong.
- 0.3% had a wrong environmental topic assigned.
- 0.4% had a wrong page number assigned.
- 0.7% had the wrong qualitative/quantitative flag attached.

Consolidation and analysis of results

The results of the electronic word search, stored in a database as described in the previous section, allows the quantitative analysis of mostly quantitative information. The strength of the methodology of this study is the high level of flexibility in the way the information can be broken down to answer a variety of questions.

The company view

The occurrences of the search phrases used, aggregated for a specific company, provide a profile of its environmental disclosure. For example, the environmental topics on which a company reported can be listed, as can any occurrences of quantitative disclosure. The weight given to an environmental disclosure can be altered according to its location in the report: for example the reference to environmental topics in audited rather than unaudited sections, or their inclusion in the CEO statement gives an indication of the level of importance given to the topic by the company.

The topical view

Aggregated disclosures by environmental topic (or group of environmental topics) can be analysed. For example, the overall reporting levels on the environmental topic 'Waste Management' in FTSE 350 companies can be quantified. Questions such as, 'which sectors report most on waste management', or 'what percentage of companies report quantitatively on waste management' can be answered.

The sector view

The results of the study have been grouped by sector to enhance its usefulness as a reference document. Many environmental topics have greater significance in some sectors than in others. Some caution should be exercised in the interpretation of sector specific data as some FTSE sectors are very broad and contain companies with widely differing characteristics. Other sectors may contain an insufficient number of companies to extrapolate conclusions to a broader universe.

Other views

Other more general analysis such as the amount of quantitative environmental data provided by FTSE All Share companies, the distribution of environmental disclosures across audited and unaudited sections of report and accounts, and disclosure levels by index, have been conducted and form part of this report.

Consolidation of multiple occurrences

Multiple occurrences of a specific search phrase in the Annual Report and Accounts of one company are common. For example, a company may report on the environmental topic

Waste Management, and repetitively use the search phrase '*waste'*, without actually adding any new information. For the purpose of this study, even though every occurrence of a search phrase has been stored (subject to rules as outlined before), the quantitative analysis has been restricted to unique occurrences of search phrases.

For example, Bellway Homes Plc discuss the issue of biodiversity and land use nine times in its Annual Report and Accounts. Bellway is a homebuilder, and this is one of its main environmental impacts. In the analysis of issues covered by all companies these would be counted as one unique occurrence. Similarly, when discussing the issue, Bellway Homes uses the word 'brownfield' four times and 'biodiversity' twice. This would result in two unique occurrences (one for brownfield and one for biodiversity) rather than six. This is sensible; if this approach were not taken, companies would be rewarded for using the same word many times to discuss one issue. The objective of this study is to determine which issues are disclosed by FTSE All Share companies rather than to count words.

Determining the link between impact and disclosure

One of this study's objectives is to analyse whether or not companies that have a greater impact on the environment, disclose more than those companies with a lower environmental impact. In addition, do companies that have a relatively large impact on the environment in particular areas, disclose comparatively more on these topics?

The first step in this analysis is to determine relative environmental impact levels for each sector. For the purpose of this study, the impact levels have been defined as high, medium and low. The challenge with this analysis is to define objectively what constitutes a high, medium or low impact. Even though a number studies have attempted this analysis, most involve some degree of subjective assessment of relative impacts.

In order to make this analysis as objective as possible, we base our method on external costs of environmental impacts, i.e. cost that results from the environmental impact of a company that is not borne by the company itself but by the natural environment, society or individuals. This allows comparability within and between different environmental impacts across all sectors. The method is described in detail on page 49 (box).

The analysis is limited to direct impacts, i.e. impacts resulting from a company's own activities rather than from those of its supply chain.

Table 8. Environmental Impacts analysed with regard to sectoral impact levels and their comparison to disclosure levels

Environmental Topic	Description
Resource Use	Refers to all materials taken from the environment, including metals and minerals, coal and aggregates as well as raw materials such as wood or animals such as fish.
Water	Refers to use of water resources through abstraction.
Climate Change & Energy Use	Merged for the purpose of the impact assessment Greenhouse gas emissions, primarily carbon dioxide, methane, nitrous oxides and other gases, are major contributors to climate change. Energy use and the related burning of fossil fuels are main contributors to emissions of greenhouse gases.
Waste Management	Refers to management of hazardous and non-hazardous waste, landfill, recycling and incineration.
Other Environmental Impacts	Refers to a wide range of environmental impacts not yet covered by other environmental topcis, for example Heavy Metal Pollution, Ozone Depletion, Radiation. Acid Rain Precursors have been added to this environmental topic for the purpose of this subanalysis.

External cost to turnover ratio. The external costs for each environmental impact in each sector can be normalised by the turnover of the sector to allow comparison between sectors of different size. This creates an external cost to turnover ratio.

Ranking of sectors by impact. To group sectors into high, medium and low impacts a percentile method was used:

- For each environmental topic, sectors were ranked by their external cost to turnover ratio.
- The top third of the 34 FTSE sectors, i.e. the 33% companies with the highest impact, were assigned the ‘high impact’, the second third are assigned ‘medium impact’, the lowest third ‘low impact’. This means that a company in the ‘high impact’ group has a higher environmental impact than roughly two thirds of all companies.

An External Cost-based method of comparing different environmental impacts across different industry groups.

Eco-systems provide numerous goods and services such as climate regulation, water supply and regulation, nutrient regulation and pollination, food, raw materials, even aesthetics. These environmental goods and services are often public goods that cannot or do not have property rights assigned to them. This precludes the formation of markets as these goods can be used freely without payment. With no markets to govern the use of environmental goods and services they are often over-exploited to the point of degradation or collapse.

When companies use these environmental goods and services, any resulting reduction of quality or quantity of goods and services imposes a cost that is not borne by the company itself but by other users of those services – these costs are known as “external costs”. There are numerous examples of external costs; the health costs incurred due to increased pollution from cars, reduced fishing catches due to upstream pollution, flooding due to upstream logging etc..

Goods and services are mapped to pollutants such as carbon dioxide, sulphur dioxide and mercury and resources such as coal, water and timber. Each pollutant or resource is assigned a price. In the case of pollutants this will depend on the ecosystems services that a unit of that pollutant uses, such as climate regulation in the case of carbon dioxide, or in the case of resources, the goods and services that the good provides, such as habitat, soil formation and water supply in the case of timber. Values are based on a variety of metrics ranging from pollution abatements costs and traded market prices where they exist right up to estimation of the full external price of eco-system services.

Using data from government agencies, such as the Environment Agency and US EPA and supranational bodies such as the UN and OECD, the total emissions and resources use by each sector can be estimated at a global level.

The external cost of an emission for a sector is calculated by multiplying the ‘price’ of an emission by the quantitiy of the emission. The external costs, being in the same ‘currency’, can be aggregated in any way. For example, the total external cost of all greenhouse gases can be aggregated or VOC emissions to air can be aggregated with sulphur dioxide emissions.

Indicators of good reporting

It is the Environment Agency's position that 'companies that actively reduce environmental risks and impacts are more sustainable, profitable, and competitive'. An 'enlightened' company which actively works towards sustainability, will have high standards of environmental reporting, and provide quantitative performance data on relevant environmental impacts and risks. Where possible these should be linked to financial savings and to shareholder return.

For each company in the FTSE 350, a flag was assigned to its disclosure for each of the 26 topics covered by the study. The flags are:

Non-reporters

Companies for which the word search did not identify any occurrences in their Annual Reports and Accounts are not disclosing any environmental information. Note that these companies may well publish environmental information in a separate environmental report or on their website. This study concentrates on disclosures in Annual Reports and Accounts.

Qualitative reporters

A flag in the database for every record designates if the disclosure made is quantitative or qualitative. The definition of 'quantitative' was deliberately kept wide. Any numeric specification of performance is, according to this definition, quantitative. This includes, for example:

- absolute quantities, for example, amount of CO_2 emitted in tonnes
- relative changes, for example, reduction of waste production by 2%
- performance described in monetary terms, for example, savings caused by waste reduction.

Those companies that did not make any quantitative disclosure according to this definition were filtered out and assigned to the environmental topic 'qualitative reporters'.

Quantitative reporters

Every record of those companies making a quantitative disclosure was manually screened to find references to financial savings, benefits, costs or risks to the ability of the company to continue its operations as a result of its interaction with the environment. The results were then further screened to select companies making explicit links to the bottom line or shareholder value.

Companies making quantitative disclosures on environmental topics but not making any link to increased costs, savings, benefits or links to shareholder value were simply assigned a ‘quantitative flag’.

For this part of the study, which is about identifying companies that explicitly link environmental performance to financial performance, it was decided not to use quantitative disclosures that are required under Financial Reporting Standards i.e. to focus on non-mandatory disclosures. Whilst mandatory disclosures (in particular FRS12) are quantitative disclosures linking environmental issues to the financial statements of the company, they are examined in much greater detail in another section (Addressing The Investor). Findings relating to the drivers behind the non-mandatory reporting of financial links would have been lost if mandatory disclosures had been included as well (twice as many companies made mandatory as opposed to non-mandatory links).

Quantitative reporters with awareness of savings potential

This group comprises all companies that make a quantitative disclosure on any environmental topic and also make a link between an environmental topic (not necessarily the same topic) and cost savings or revenue.

Quantitative reporters with awareness of bottom line impact

This group comprises all companies that make a quantitative disclosure on any environmental topic and also make a link between an environmental topic (not necessarily the same topic) and shareholder value. The term shareholder value is defined loosely as the current and potential shareholder value. Therefore discussion of shareholder value, business continuity, license to operate and profitability are all taken into account.

Table 9. Indicators of good reporting – Disclosure criteria

Disclosure criteria	Description of criteria	Number of FTSE 350 companies (% of FTSE 350)
1. Quantitative reporters with awareness of bottom line impact	Companies that provide quantitative environmental performance data and link environmental impacts to shareholder return/bottom line/license to operate	18 (6%)
2. Quantitative reporters with awareness of savings potential	Companies that provide quantitative performance data and link it to financial savings, but provide no link to shareholder return/bottom line.	17 (5%)
3. Quantitative reporters	Companies that provide quantitative performance data, but provide no financial link.	71 (23%)
4. Qualitative reporters	Companies that provide commentary on their environmental impact, but no quantitative data.	195 (62%)
5. Non-reporters	Companies that provide no information on the environment in the Report & Accounts	15 (4%)

Assessing what is reported

Overall disclosure in the FTSE All Share

- 89% of FTSE All Share companies include some reference to environmental topics in their Annual Reports and Accounts.
- Reporting levels in the FTSE Small Cap (80%) are significantly lower than in the FTSE 350 (96%).
- Environmental reporting in the Report and Accounts has not yet reached 100% for the FTSE 100, let alone the FTSE 350.

Overall, 89% or 507 companies in the FTSE All Share report on some aspect of their interaction with the environment. Reporting levels in the FTSE Small Cap are significantly lower than in the FTSE 350. Companies in the FTSE 350 Index (the FTSE 100 and FTSE 250 indices combined) is often singled out to maintain greater standards of corporate governance and social responsibility than other listed companies.[13]

Table 10. Overall environmental disclosure levels in the FTSE Indices

FTSE Index	Percentage of companies disclosing
FTSE 100	98
FTSE 250	96
FTSE Small Cap	80
FTSE All Share	89

FTSE 350 companies generally have a greater turnover and a larger operational base than Small Cap companies, and therefore may find it easier to absorb the costs of reporting. Companies with smaller operations, however, are likely to have fewer sites and subsidiaries from which to collect data.

FTSE 350 companies are also more likely to be household names and provide peer group leadership for other listed companies. If the Operating and Financial Review (OFR) regulations are introduced as currently drafted, all the FTSE All Share companies will have to comply and Small Cap companies may use FTSE 100 or FTSE 350 corporate governance quality as a benchmark model for their own internal processes and reporting.

[13] Prime Minister's speech to the CBI/Green Alliance, 24th October 2000

Environmental disclosure has not reached 100% for the FTSE 100 Index. Reuters, Yell, Reed Elsevier and Shire Pharmaceuticals have yet to include any environmental information in their Annual Reports and Accounts. In the case of Yell Group this is an anomaly; it listed on the London Stock Exchange in July 2003 and as a result had not provided full year accounts for the purposes of this study. It made US SEC 20-F filings in connection with its US listing prior to that. All four companies, however, provide extensive environmental disclosure on their websites or in separate HSE, Environmental or CSR reports.

Case study 1: BAA, Annual Report and Accounts 2002/2003

BAA devotes three pages to the discussion of environmental issues in its Operating and Financial Review


Climate change

Environmental awareness is not just about protection of habitat around our airports or reducing and recycling airport waste – important though they are. We all need to address fundamentals such as climate change by reducing greenhouse gas emissions.

We are working with government, environmental organisations and industry stakeholders on practical and realistic ways to reduce aviation's impact on climate change, including bringing international aviation within an environmentally credible emissions trading system.

Since 1997/98 we have reduced CO_2 emissions associated with energy consumption by 25% per passenger.

By 2010 we aim to cut CO_2 emissions by a further 60% per passenger through energy conservation and procuring at least 10% of our energy from renewable sources.

Operating and financial review
Sustainable development

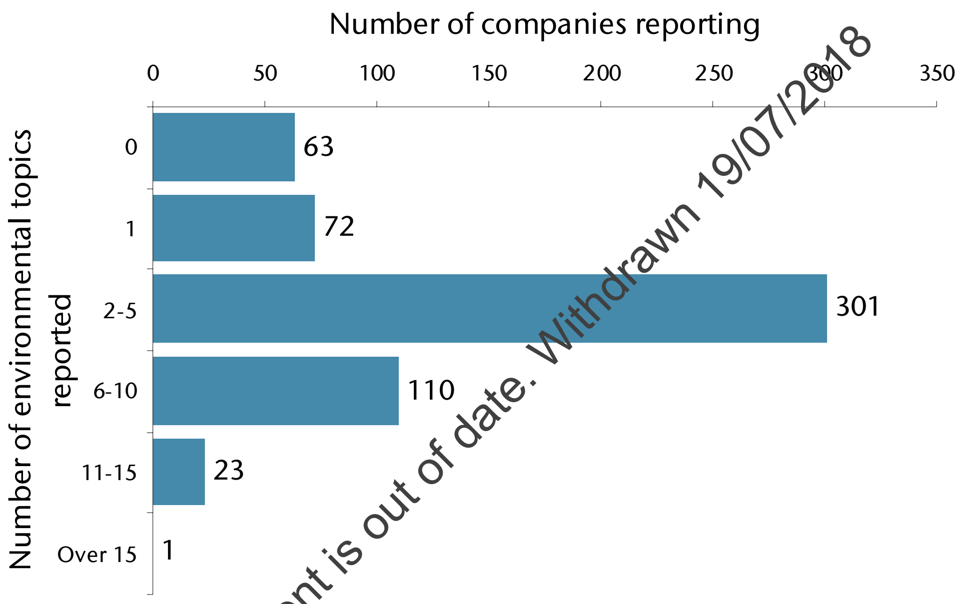
Conclusion

On the face of it these results indicate that almost all listed companies are making environmental disclosures in their Annual Reports and Accounts. As it was the objective of this study to set a reliable baseline for reporting levels, any mention of environmental topics, however vague, was recorded. However, closer examination of these disclosures reveals that much more could and should be done. The draft OFR regulations place much emphasis on using key performance indicators when discussing the environment and this should improve the quality and usefulness of disclosures in the future. Importantly, it will be difficult for any of the companies currently disclosing environmental impacts, risks or concerns to subsequently argue that it is not necessary to report on these matters in order to give shareholders an understanding of the risks and opportunities facing their businesses.

Breadth of disclosure – Unwrapping reporting levels

- 74% of companies that do refer to environmental topics discuss less than five environmental topics in their Annual Reports and Accounts.
- Only 4% cover more than 10 environmental topics, with only one company discussing more than 15 environmental topics.

Figure 7. Breakdown of disclosure levels by number of environmental topics reported on



The breakdown by number of environmental topics reveals limited breadth of disclosure. A high percentage of FTSE All Share constituents include at least one reference to environmental topics in their Annual Reports and Accounts. The percentage that discuss a range of environmental topics is much lower. Figure 7 shows the breakdown of disclosure levels by numbers of environmental topics covered. For example, a company may include 10 references to environmental topics in its Annual Report and Accounts, but these might all be confined to only two broad subjects or topic groups. Such a company is described as having low disclosure levels.

72 companies (14% of those that report) cover only one environmental topic. Most common are references to environmental policy or corporate social responsibility (CSR).

The vast majority of companies make disclosures on two to five environmental issues. One company, Scottish Power, covers 18 environmental topics out of the 26 defined in the study and Rio Tinto, FKI, The BOC Group and BAA make disclosures on 13 different issues.

Case study 2: Scottish Power Plc 2002

Scottish Power discusses a variety of environmental topics, mainly in its Business Review. It also discuss the environmental risks that could affect the firm and the regulatory environment that it operates in. This case study refers to the environment in which Scottish Power's U.S. subsidiary PacifiCorp is operating in.

Many of PacifiCorp's long-term operating licenses have expired or will expire in the next few years, leaving the plants to operate under annual licenses granted by the FERC but containing conditions requiring PacifiCorp to implement certain protection, mitigation and enhancement measures, primarily to address environmental concerns relating to fisheries, water quality, wildlife, recreation, land use, cultural resources and erosion. It is difficult to determine the economic impact of these measures, but capital expenditures and operating costs are expected to increase and in-stream flow requirements and other constraints on operations may result in lower generating output and reductions in operational flexibility.

What do most companies report?

- Environmental Policy and CSR are the top topics.
- Waste, Environmental Management Systems, Energy & Water next top topics showing progression from policy to management (22%-44% of companies).
- Less than 50% of companies report on a subject other than environmental policy.
- Over half of topics are covered by less than 10% of companies.

This section analyses the main topics of disclosure by companies. The principal topics disclosed in Annual Reports and Accounts are environmental policy, CSR, waste management, environmental management systems (EMS), energy and climate change, and water use.

Figure 8 shows that 72% of FTSE All Share companies have an environmental policy and disclose either its existence, or, as in most cases, give the policy.

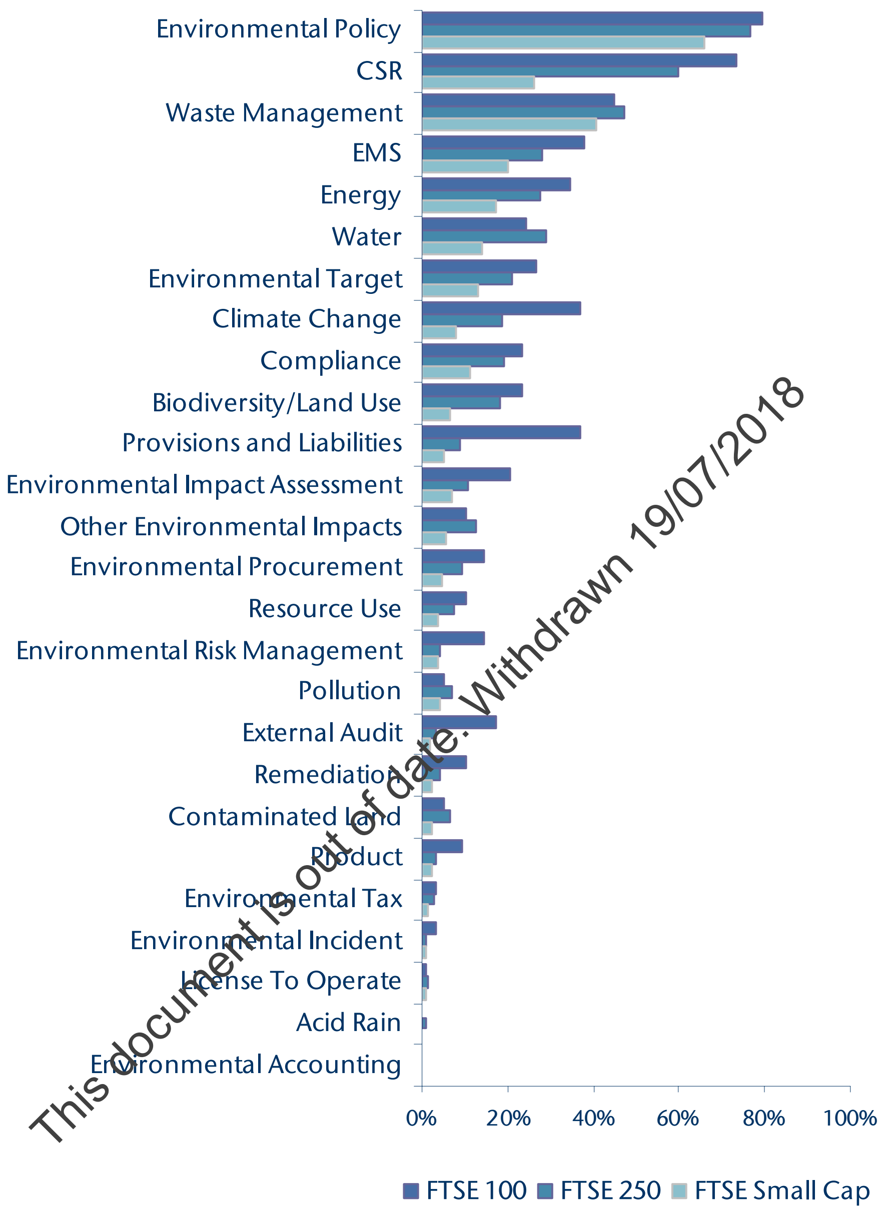
After environmental policy, there is a sharp drop, to 47% disclosure, on the subject of Corporate Social Responsibility (CSR). CSR is generally mentioned in the context of a strategy or a concept. There is a large disparity between the number of FTSE 350 companies and the number of Small Cap companies discussing this issue.

Under half of all companies (44%) discuss waste management and approximately a quarter discuss EMS, water use and energy and climate change.

58% of FTSE All Share companies report on at least one topic out of waste, water and energy/climate change, and 30% of companies report on two of these indicators. Remarkably, only 55 FTSE All Share companies (10% of the study group), report on waste, water and energy/climate change and even fewer provide quantitative information. This is particularly surprising given that the Defra guidelines recommend that companies report on all these issues as a minimum. There is obviously still a long way to go before companies are reporting in full on their environmental performance. Other topics such as compliance and provisions and liabilities are discussed in separate sections in this chapter.

Few companies (12 of the FTSE All Share) reported on environmental taxes and no companies discussed the use of environmental accounting. This is surprising given that both topics deal with environmental issues in financial terms. Environmental accounting is a vital tool in integrating companies' environmental and financial revenues, costs, assets and liabilities but disclosure on its use was notably absent.

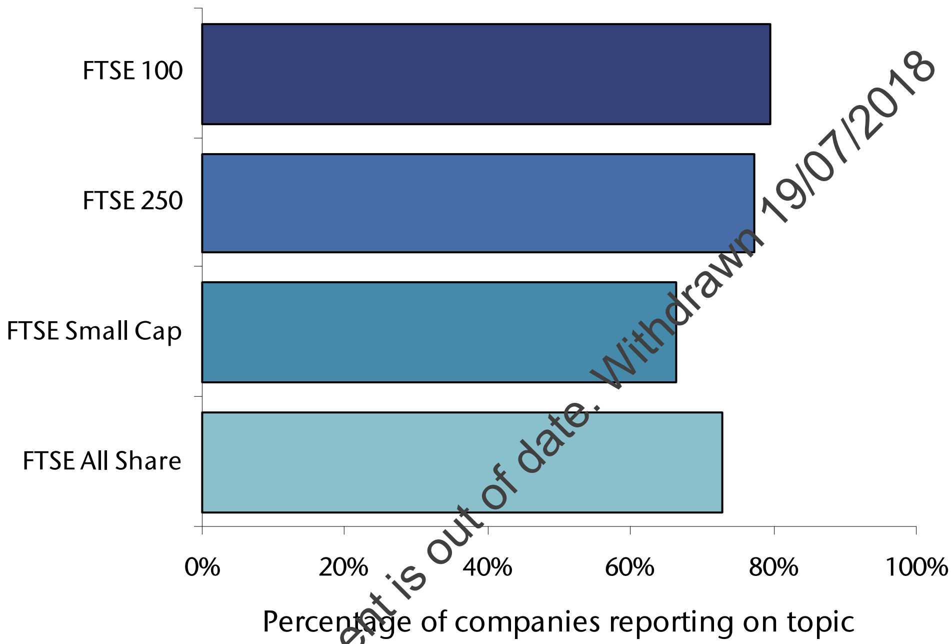
Figure 8. Disclosure levels of each environmental topic for each FTSE Index (% of companies in the FTSE All Share that report on each topic)



Environmental policy

- 72% of companies have, and report on, environmental policies.
- Generally found in the CSR section or the Directors' Report.
- 43 companies (7.5% of the study universe) report on their policy but no other environmental issues.

Figure 9. Disclosure of Environmental Policies in each FTSE Index



It is difficult to imagine a case in which good governance does not require a company to have an environmental policy. For many companies, particularly in low impact sectors like software & computer services, a policy demonstrating that the company regularly reviews its impacts and attempts to mitigate them can help shareholders assess risk, as in case study 3, Merant Plc, the software company.

Case study 3: Merant Plc, Annual Report and Accounts 2003

Merant recognises its responsibilities for the environment, and the possible effects of its activities on the environment are given due consideration. As a software company, Merant believes its activities should have a minor effect on the environment. Merant has taken steps to reduce environmental impacts in such areas as minimisation of waste and energy conservation.

However, a company like Greene King (case study 4) that is in a high environmental impact sector, could be expected to go into more detail regarding its management of issues such as climate change, emissions to water, water use and waste and the risks associated with environmental regulation and licenses. Greene King does describe an environmental policy but does not disclose information regarding its effectiveness at reducing operational and environmental risks.

Case study 4: Greene King Plc, Annual Report and Accounts 2003

The group regards compliance with relevant environmental laws and the adoption of responsible standards as integral parts of its business operations. It is also committed to introducing measures to limit any adverse effects its business may have on the environment and will promote continuous improvement in accordance with the best available techniques. The overall responsibility for environmental policy rests with the board, but the managing directors of the divisions are responsible for the sound environmental management of their particular operations.

So while it is encouraging to see so many companies including reference to environmental policies in their Annual Reports and Accounts, unless it is supported by targets, disclosure of non-compliance records and evidence of a systematic approach to improving performance (such as an environmental management system), it is difficult to interpret how the company is performing and how effective the policy is. Disclosing in Annual Reports and Accounts that a policy exists is inadequate without describing its results, effectiveness or development.

There is some evidence of formulaic adherence to a regulatory requirement which is specifically identified as undesirable by the published guidance on the OFR regulations. Two companies in this study produced precisely the same statement of environmental policy despite being in very different sectors - see Case studies 4 & 5.

Case study 5: Big Yellow Group Annual Report and Accounts 2002	**Case study 6:** Management Consulting Group Annual Report and Accounts 2002
Environmental policy Maintaining and improving the quality of the environment in which we live is an important concern for the Group, its staff, customers, suppliers and the communities in which we operate. By the nature of our business, we have a low impact on the environment. We are, however, adopting high standards of environmental practices and aim to minimise our impact on the environment wherever this is practical. In particular, we comply with, and endeavour to exceed, all laws and regulations relating to the environment.	Environmental policy Maintaining and improving the quality of the environment in which we live is an important concern for the Group, its staff, clients, suppliers and the communities in which we operate. By the nature of our business, we have a low impact on the environment. We are, however, adopting high standards of environmental practices and aim to minimise our impact on the environment wherever this is practical. In particular: we comply with, and endeavour to exceed, all laws and regulations relating to the environment.

Conclusion

Environmental policies are designed to achieve a number of environmentally positive results such as waste reduction and efficient energy use, which often benefit companies financially. They may also help to improve investor relations and public perception. Shareholders need to be able to distinguish between effective and ineffective environmental policies, and the only way they can do this is to look beyond the policy to achievements against targets. The existence of an environmental policy is, in itself, no measure of environmental performance.

Corporate Social Responsibility (CSR)

- 47% of FTSE All Share companies recognise some concept of CSR.
- 249 companies explicitly use the phrase ‘Corporate Social Responsibility’.
- The relevance of CSR to shareholders or financial value is rarely addressed.

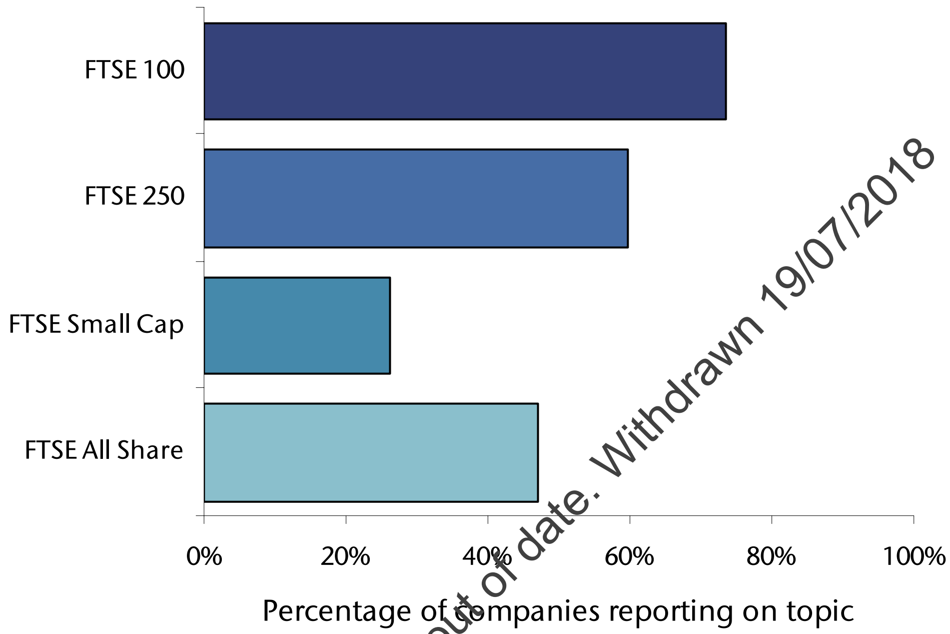


Figure 10. Disclosure levels of Corporate Social Responsibility in each FTSE Index

In the sphere of corporate reporting, Corporate Social Responsibility (CSR) embraces a wide variety of concepts, and is used to address ethical, social, environmental and other issues. In this study, any references made in Annual Reports and Accounts to a company’s interactions with the community, or the environment in which it operates, were assigned to the CSR topic. This often occurs in the context of a corporate ethic or vision statement, but sometimes simply in reference to a company’s separate CSR report. Almost half (47%) of FTSE All Share companies discussed CSR in some form, with a far larger proportion of FTSE 100 (72%) companies to FTSE Small Cap or even FTSE 250 companies making references to a corporate social responsibility concept. It is likely that this is a function of their size, having the resources to devote to the issue, and their ‘household name’ status requiring greater reputation management.

Case study 7: JJB Sports Plc, Annual Report and Accounts 2003

During the year, a Corporate Social Responsibility (CSR) Committee was formed comprising of senior executives and Chaired by David Greenwood, the Finance Director. The objective of the CSR Committee is to ensure that a robust system of controls is in place to manage all key risks in the area of corporate social responsibility and to respond appropriately to changes in current legislation and regulations in this area, in order to minimise any impact upon the Group.

It might be expected that companies from resource intensive industries, such as those that use more natural resources, are more likely than companies in service industries to embrace Corporate Social Responsibility. For example, mining causes more environmental damage or impacts communities more than running a software company, therefore pressures on the mining industry to manage and disclosure their impacts are certainly greater. However, evidence supporting this assumption was not found in the respective disclosures of these groups, Figure 11 is an approximate ranking of FTSE economic groups in order of environmental impact together with CSR disclosure levels. This ranges between 21-66% of companies within the different economic groups. The lack of any pattern is influenced by the Consumer goods and General industry groups having a higher proportion of companies outside the FTSE 100 and FTSE 350 where general reporting levels are lower.

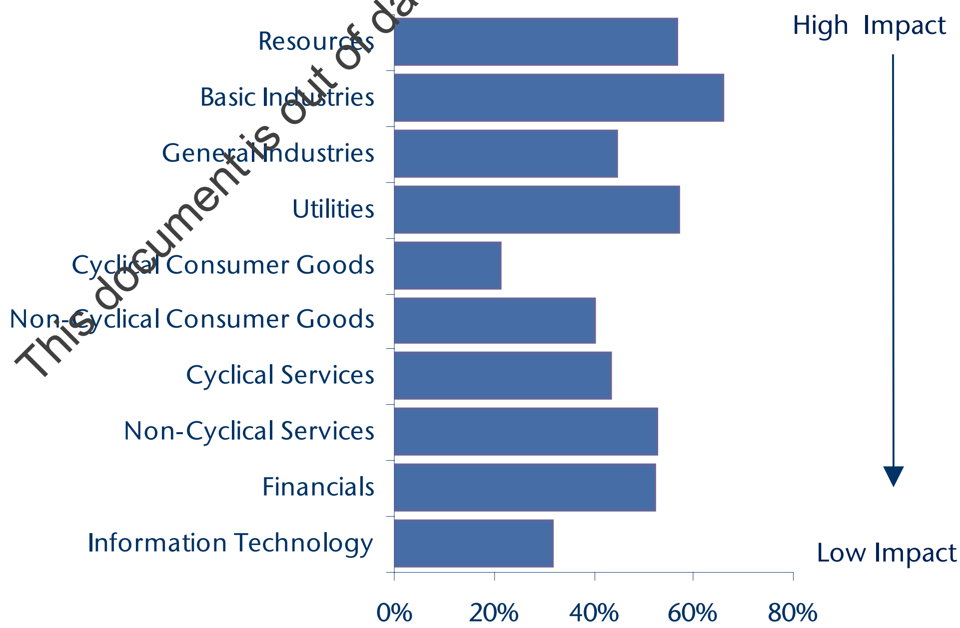


Figure 11. Percentage of companies in each FTSE Group discussing CSR

Conclusion

From the references to CSR, it is difficult to conclude whether or not FTSE All Share companies pay 'lip service' to the concept or fully embrace the philosophy within the culture of the company from the Board down. It is certainly true to say that CSR has become something of a catchphrase, with 249 companies in the FTSE All Share using the phrase Corporate Social Responsibility or CSR.

Waste management

- Waste management was the third most reported on topic with 44% of the FTSE All Share reporting on it.
- Clear link to landfill tax and packaging regulations.
- Only 22% of those companies reporting provide quantitative data.

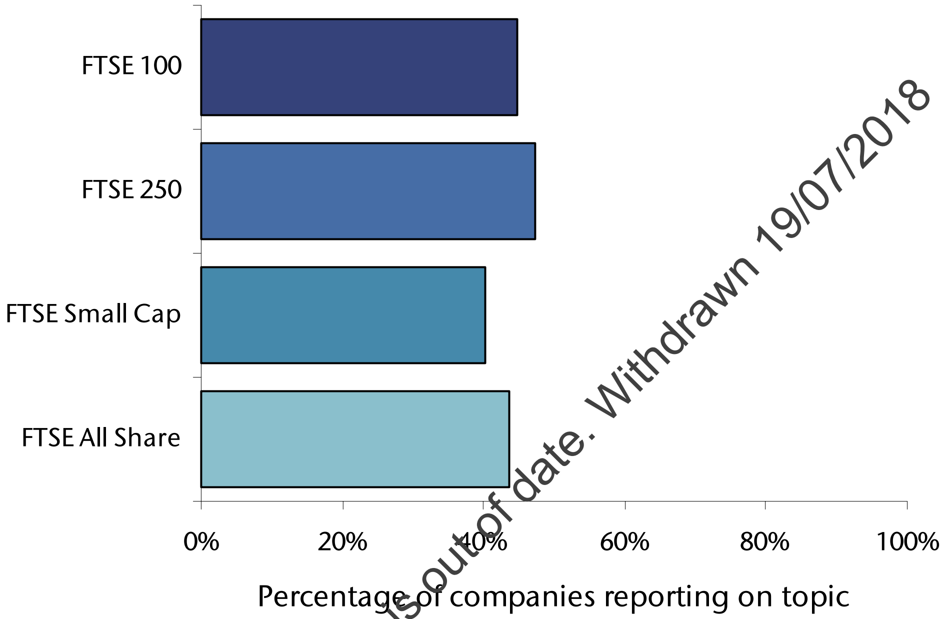


Figure 12. Disclosure levels of Waste Management in each FTSE Index

Every company generates waste of some sort. Waste is not just about the environment but also about resource productivity. Waste management is one of the most effective ways for an industry to enhance its environmental performance because waste reduction also reduces costs and increases bottom line profits. The Landfill Tax and Producer Responsibility Obligations (Packaging Waste), provide additional regulatory and fiscal incentives to reduce waste. There are good commercial reasons for a company to effectively manage its waste.

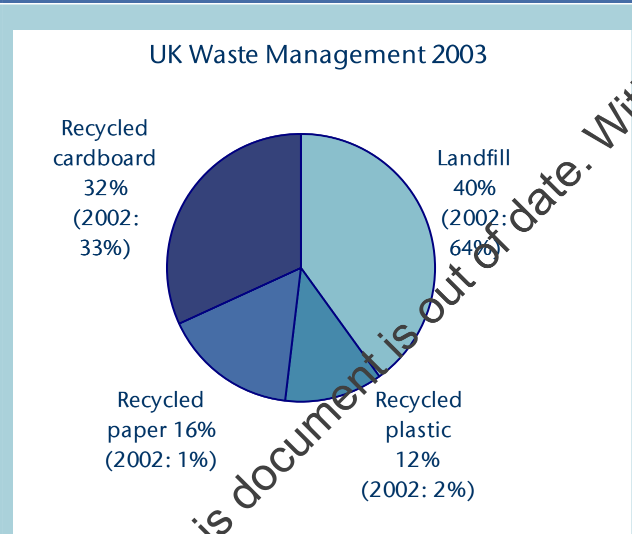
It is worth noting that 40% of all landfill references include a quantitative measure of some sort, either a percentage reduction target or achievement, or the total amount of waste produced or reduced. Similarly, 20% of references relating to packaging or recycling include some kind of quantitative measure. In the study, quantitative references make up 10% of all disclosures. Landfill is measured by the waste contractor, and it is a relevant number for managers seeking to minimise waste disposal costs. BT Group (case study 8) is a particularly good example.

Case study 8: BT Group, Annual Report and Accounts 2003

Also in the 2003 financial year, we recycled 24% of our total 89,878 tonnes of waste. We received £4.26 million income from our recycling activities, offset against the £8.29 million we spent managing our waste contracts, recycling our waste and sending waste to landfill. The cost of sending our waste to landfill sites was £1.17 million. However, during the year we succeeded in reducing the amount of waste sent to landfill by 1.1%.

Both the quantity of packaging and the percentage recovered/recycled need to be measured under the Packaging Regulations. Many companies provided useful and clear information on their waste but The Games Workshop (case study 9) stands out as a particularly good example of clear communication with shareholders.

Case study 9: Games Workshop Group Plc, Annual Report and Accounts 2003



During the year we have made significant progress on the reduction of landfill and the increase of recycling of waste, particularly of paper and plastic, as set out left.

We have begun a life cycle analysis to ensure that we can assess the impact of our products on the environment and upon energy consumption. We continue to explore ways of reducing the amount of waste which our products generate for the end consumers by reducing runners on plastic sprues, re-using trays and ensuring full boxes are despatched from our warehousing facilities, with investigations continuing into packaging and new product development.

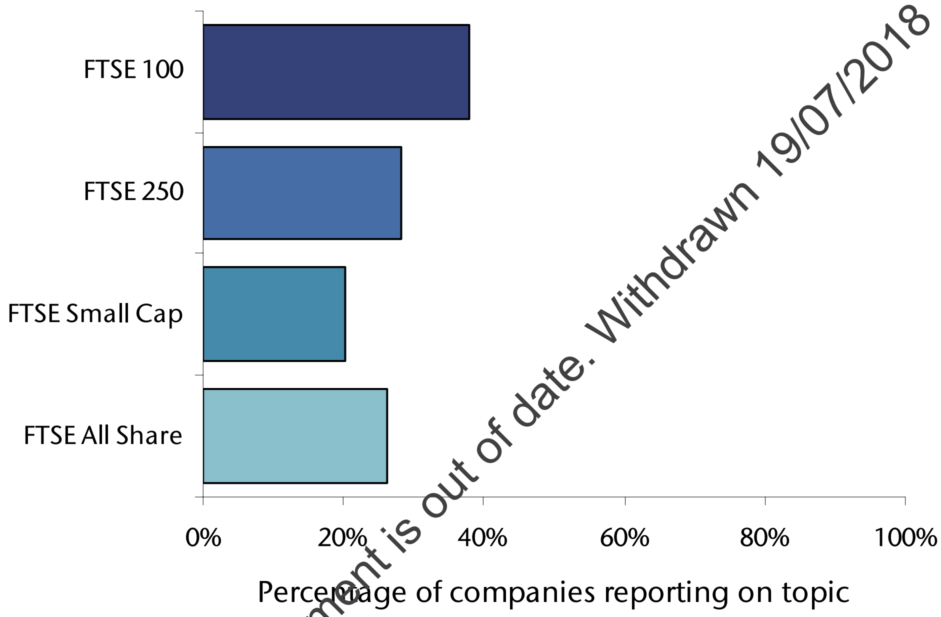
Conclusion

The presence of regulation and fiscal incentives relating to waste seem to influence the disclosure of the issue. More companies disclose information on waste management than any other issue. However, only 44% of companies make reference to it. These regulations and fiscal incentives also seem to influence whether or not disclosures make reference to explicit targets or quantities of waste produced, recycled and sent to landfill. Environmental regulations can encourage the collection of data that is relevant to shareholders when assessing corporate environmental performance.

Environmental Management System (EMS)

- Only 26% of FTSE All Share companies disclose information on their EMS.
- 30% of companies with environmental policies discuss their EMS.
- Vast majority use ISO14001 not EMAS.

Figure 13. Disclosure levels of EMSs in each FTSE Index



This topic incorporates everything from internal non-accredited management systems right up to group-wide certified ISO 14001 accredited systems or registration to EMAS. With this in mind it is disappointing that only 26% of FTSE All Share companies provide information on their environmental management systems.

While an externally accredited EMS may not be necessary, any company instituting a policy that has the goal of reducing its impact over time must have some form of management system in place to deliver its policy. As it is not known how many companies actually have an EMS in place, it is beyond the scope of this study to determine whether the lack of reporting simply reflects a lack of disclosure on environmental management systems, or the fact that companies do not have them. It may be indicative of companies being content to write policies and establish environmental or CSR committees but not to take the next step to institute a rigorous management system to reduce their impact on the environment.

Either way it is true to say that while 72% of FTSE All Share companies discuss their environmental policy in their Annual Reports and Accounts, only 22% of them discuss their environmental management system.

Unsurprisingly, resource intensive and heavy industries are more likely to have environmental management systems in place and to discuss them. These industries are subject to more environmental regulation and typically have a greater environmental impact than other industries. Almost all environmental taxes and regulations require the company to have some form of measurement, monitoring or risk management process in place.

Most companies that discuss their EMS have designed them in accordance with the ISO 14001 standard with at least 113 out of 150 companies using ISO 14001. Of the companies that discuss the use of a standard EMS, only six have EMAS based systems – of which only one company (The Body Shop) uses only EMAS, while the other five companies use an EMAS approach in addition to using the ISO 14001 standard (GKN Plc, Novar Plc, RMC GROUP Plc, Severn Trent Plc, Wagon Plc).

Of the companies with an EMS in place, the majority are working towards, or have achieved, ISO 14001 accreditation.

Jarvis Plc (case study 10) provides one example of clear reporting on the reasons for the implementation of an EMS programme and their progress towards full implementation.

Case study 10: Jarvis Plc, Annual Report and Accounts 2003

During the year, we made progress in embedding good environmental behaviour into the whole business, by introducing and consolidating certified ISO 14001 environmental management systems in all our major business units... By May 2003, 80% of the business (by turnover) had achieved ISO 14001 certification. Our new stretching target is that, by 31 March 2004 all major units will be certified to this standard.

Business Unit	ISO 14001 achieved/target date
Rail	August 2001
Prosign (France)	April 2002
Training Management	July 2002
Construction	April 2003
Prismo: Prduct Services	May 2003
Prismo: Contract Services	March 2004
Highways	March 2004
Workspace FM	March 2004

Conclusions

Shareholders may attribute a value to the very existence of an EMS on the basis that it is necessary to have systems in order to reduce environmental impacts. In reality environmental management systems can only be properly assessed in terms of their results in the form, for example, of emissions, waste reduction or energy efficiency. These quantitative measures are, in turn, best related to output in order to create a normalised measure which will continue to have meaning as businesses expand and contract over time.

Energy use and climate change

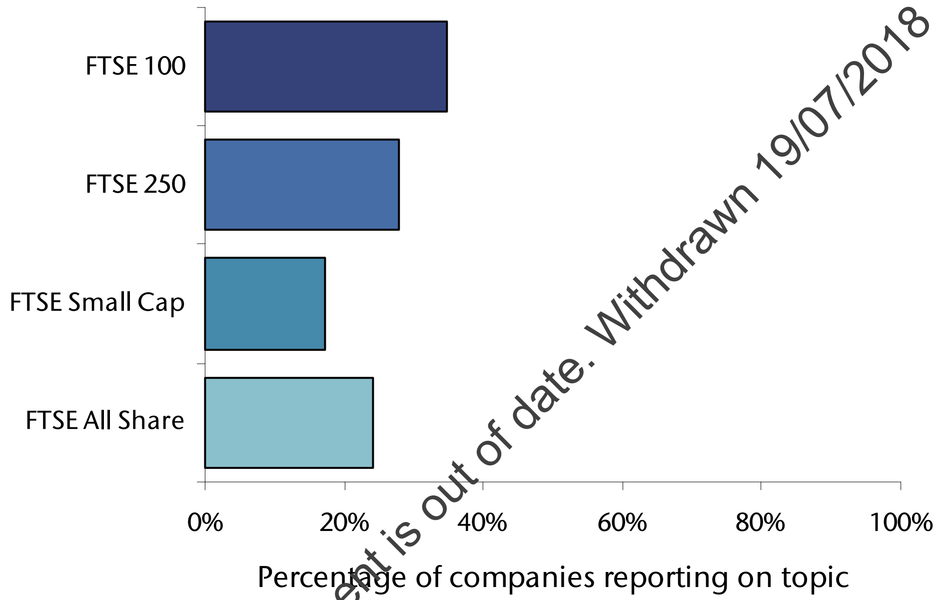
- Only 17 % of All Share companies include reference to climate change.

  But 38% of those that do, give quantitative information.

- One quarter (24%) of FTSE All Share companies disclose energy use.

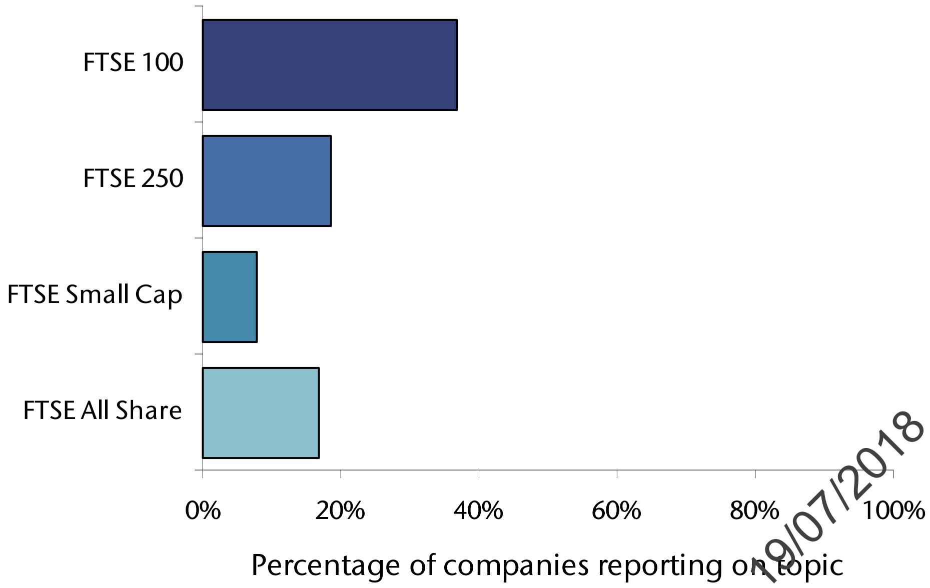
  But 25% of those that do, give quantitative information.

Figure 14. Disclosure levels of Energy Use in each FTSE Index



After waste management, energy is the most disclosed environmental issue among FTSE All Share companies, although only half as many companies report on energy use as waste management. Energy, like water use and waste, is one of those environmental issues that is a function of every company's operations. Similarly, reductions in energy use almost always produce a direct benefit to the bottom line. It is also one of the core performance indicators in the Defra Reporting Guidelines.

Figure 15. Disclosure levels of Climate Change in each FTSE Index



Climate change is considered to be the biggest single environmental impact resulting from energy use and, in conjunction with energy, one of the Defra core indicators. However, it is explicitly reported on by surprisingly few companies - 96 in total with about half of them reporting on energy use as well. It is, however, one of the highest-ranking issues for which quantitative data was available.

It is likely that the relatively high levels of reporting quantitative data are, as in the case of waste figures in some sectors, a factor of the ease and low cost of measuring climate change impact. For many companies it is enough to apply conversion factors from Defra or the IPCC to fuel quantities used which in turn are available from fuel bills. The hardest part is often the aggregation at group level and obtaining information from local offices.

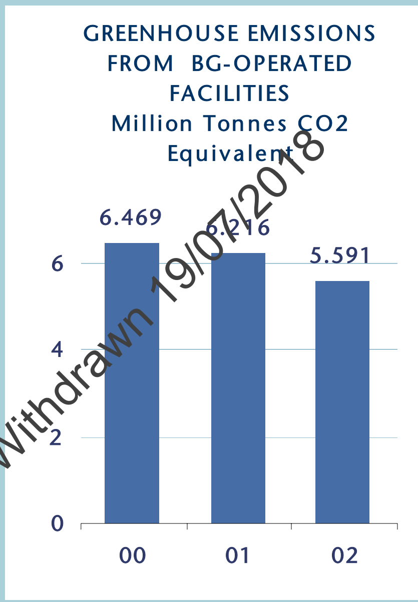
In the two examples below, the two privatised companies that were formerly British Gas demonstrate a marked difference in their reporting of climate change as a risk. It should be noted that Centrica does have excellent web-based reports giving detailed breakdowns of greenhouse gas emissions but it does not make them clear to investors in the statement on climate change below.

Case study 11: Centrica Plc, Annual Report and Accounts 2002

British Gas [Centrica subsidiary] plays a leading role in helping to achieve the government's fuel poverty and climate change targets through the provision of free or subsidised energy efficiency products.

Case study 12: BG Group Plc, Annual Report and Accounts 2003

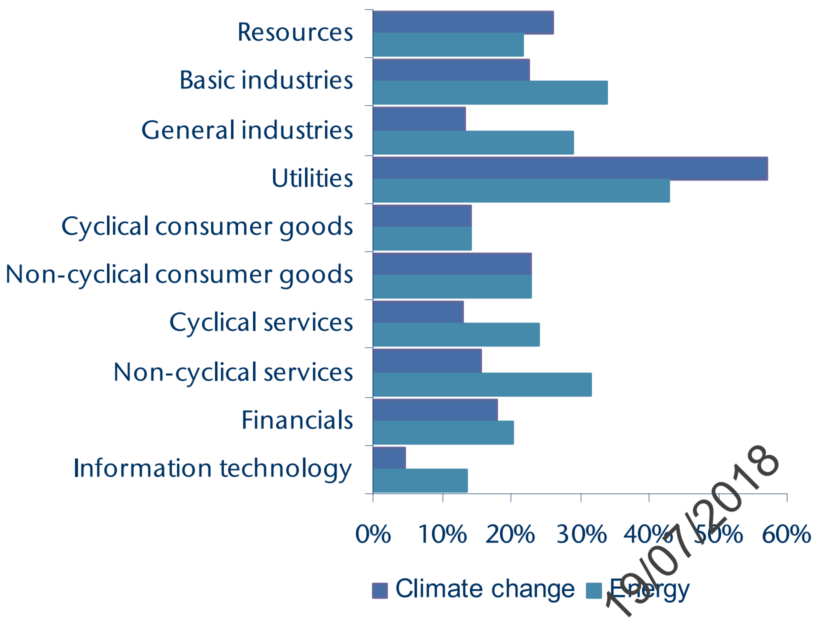
Climate change is a major environmental issue for BG. New developments allow gas to displace higher carbon fuels with a net reduction in greenhouse gas emissions During 2002, we increased capacity to supply gas by commissioning Atlantic LNG Train 2 and expansion of the transmission and distribution networks in South America, India and Northern Ireland to new customers. Direct emissions from BG-operated facilities during 2002 were 5.7m tonnes CO_2 equivalent, a 6% decrease on 2001. Greenhouse gas emissions will present both a financial liability and opportunity as policies to control emissions, including emissions trading, are introduced. To reflect the financial significance of emissions, we have collected greenhouse emission data on an equity share basis from operated and non-operated activities.



Conclusion

As would be expected, energy intensive industries are more likely to disclose information about energy and climate change (The Non-Cyclical Services industry group is slightly anomalous. It covers the food and drug retailers, and telecommunication sectors and includes only a small number of companies).

Figure 16. Disclosure across industry groups on energy and climate change



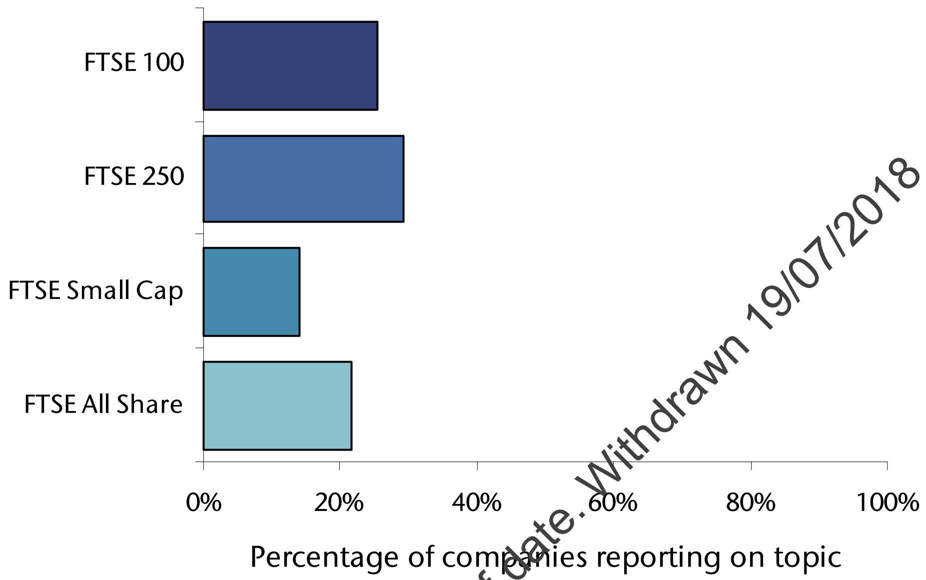
However, with the exception of the utilities sector (with 100% of power generators reporting on climate change) there is very little disclosure on the companies' climate change impact across all sectors.

Notably, despite the imminent EU Emissions Trading Scheme, and Climate Change Levy in force already, there is a lack of direct acknowledgement of future opportunities and potential liabilities and not enough quantitative disclosure of greenhouse gas emissions by the affected companies. Quantitative disclosure relating energy use to output would allow shareholders to make easy assessments of energy efficiency across companies and sectors.

Water use

- Just over one fifth (22%) of companies report on water use.
- Disclosure rises to over 30% for water intensive industries.

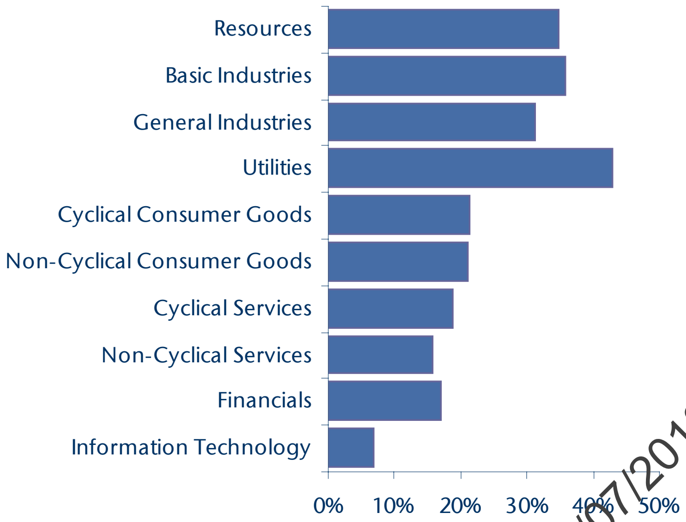
Figure 17. Disclosure levels of Water Use in each FTSE Index



Water use, along with energy and waste, is one of the impacts that few businesses can avoid in their daily operations. This topic also covers emissions to water. Water is one of the core performance indicators in the Defra Guidelines.

Looking at the split of reporting by sector, the 22% overall disclosure level quickly rises to over 30% for companies in high water use sectors (Figure 18). This is not surprising for two reasons. Firstly, companies with high water use generally have more options to reduce their use (for example by installing recycling systems) and are more likely to recognise water use as an environmental impact. Secondly, these organisations are more likely to be measuring their water use and be able to create a business proposal with a shorter investment return period.

Figure 18. Percentage of companies in each FTSE Group discussing the environmental topic water



Conclusion

It is disappointing to see only 17% of companies giving quantitative information in relation to water use. Slough Estates (case study 13) a FTSE 250 company, provides one good example of reporting on all three of the core Defra Environmental Reporting Guidelines.

Companies may want to follow Slough Estates' lead where references of conversions are given and data for energy, waste and water is broken down by geography and business sectors and the reference period is clearly defined. All of this is presented in a precise and compact format. Improvements could be made, such as normalising the figures, making the reporting year concurrent with the accounting year and improving data collection for waste. They have stated their intention to do the first of these next year.

Case study 13: Slough Estates Plc, Annual Report and Accounts 2002

The most significant environmental impacts arising from property we occupy and manage are measured and monitored on an ongoing basis. The table below summarises environmental impacts for the period 1.10.01 to 30.09.02. However, the data is not normalised for floor area or hours of operation (e.g. kWh/m2/hr) and therefore represents the company's absolute impacts only. Normalising of data will be introduced in 2003.

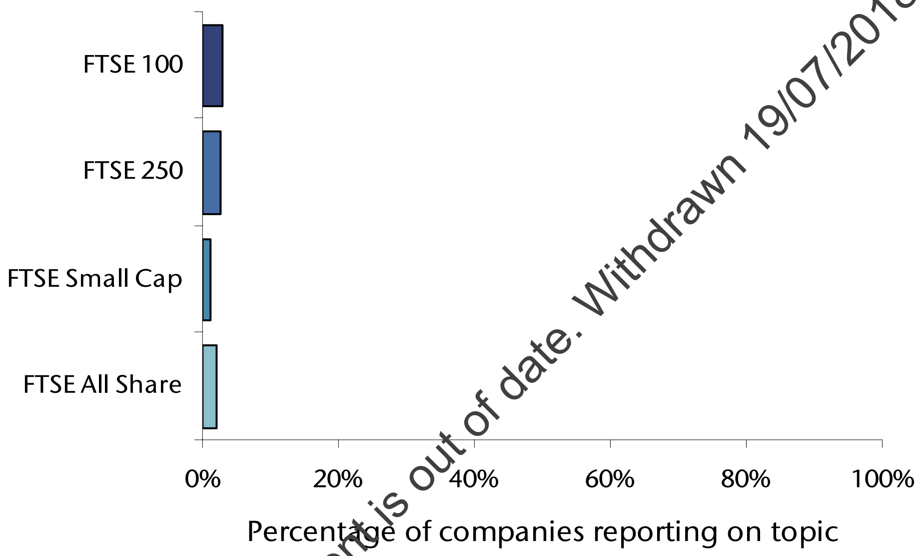
Property type	Total energy (KWh of electricity and gas)	Water (m^3)	Waste (tonnes)
Se occupied buildings	2,789,465	5,283	40
UK multi-let properties	1,796,945	3,045	N/A
UK retail centres	16,715,459	96,706	3,329
Europe	60,770	229	N/A
USA	1,907,581	1,253	N/A
Total	**23,270,220**	**106,516**	**3,369**

Using the conversion factors specified by the Government (www.Defra.gov.uk/ environment/envrp/gas/05.htm), the operation of properties in our portfolio was responsible for the emission of 8,552 tonnes of carbon dioxide in 2002. When comparing those properties held in both 2001 and 2002, Slough Estates reduced its aggregated energy consumption by 8 per cent and reduced its aggregated water consumption by 2 per cent. Waste data was not collected for retail centres in 2001, so a comparison cannot be made.

Environmental Taxes

- Very low levels of disclosure – 4% of FTSE All Share.
- Most companies subject to Climate Change Levy.
- Climate change and landfill taxes most discussed.

Figure 19. Disclosure levels of Environmental Taxes in each FTSE Index



This topic covers all environmental taxes, both in the UK and abroad, that affect a UK listed company either directly or indirectly. Given that the majority of companies, particularly those within the energy intensive sectors, will either have a Climate Change Agreement (CCA) or be subject to the Climate Change Levy (CCL), it was very surprising to see only 12 companies mention any environmental taxes and only six discussing CCAs or CCLs. It seems likely that this is because the sums involved are relatively small in relation to the overall tax bill or the companies cost base.

It is difficult to get any sensible statistics from these low disclosure levels but there are only two quantitative references to environmental taxes. Some examples are given here on how the topic is discussed within the Annual Reports and Accounts.

Yule Cato Plc, the FTSE 250 chemicals company makes clear the financial benefits of emissions reduction under the Climate Change Levy .

Case study 14: Yule Cato Plc 2002
...[T]he group has achieved compliance with government targets for the reduction in energy consumption per tonne of production. As well as benefiting the environment, it will provide the maximum rebate from the Climate Change Levy programme.

Corus, the large steel group, has large energy demands in the course of their business and as such has made dramatic cost savings by entering into Climate Change Agreements as shown below.

Case study 15: Corus Group Plc 2002. Operating and Financial Review
The climate change levy was introduced in the Finance Act 2000. The levy is a tax on the supply of certain commodities such as electricity, natural gas, petroleum, coal and coke. Certain supplies are excluded (such as for domestic use or supplies made prior to Apr 2001) or exempt (such as supplies not used as a fuel including dual uses of fuel and as a feedstock)... Supplies do include self supplies relating to production. The levy is calculated according to a nominal unit of energy for the commodity and persons making any taxable supply need to register. Corus has signed a negotiated agreement with the UK government allowing Corus to claim an 80% reduction in the amount of such tax up to the end of 2002. To receive the 80% reduction for the 2003 and 2004 periods, Corus will have to prove that it met certain energy efficiency targets in the milestone year of 2002. The agreement allows for a variation of the already agreed 2002 and future targets if, in the milestone year, throughput falls below 90% of the level of 1999. This variation has been triggered for 2002 and negotiations continue with the UK government to ensure Corus can continue to receive the 80% reduction. The reduction is worth approximately £28m per annum to Corus.

Many of the references to Landfill Tax are included in the CSR section and related to the amount spent on the encouragement of sustainable waste management schemes through the Landfill Tax Credit Scheme. Interestingly, only two companies discuss the negative impacts of environmental taxes on the bottom line – both in construction, which is one of the few sectors affected directly by CCL, Landfill Tax and the Aggregates Levy. The disclosures of both Bovis Homes Group Plc and McCarthy and Stone Plc are shown below.

Case study 16: Bovis Homes Group Plc Plc 2002, Officer's Statement
By comparison construction costs increased by 7.0% including specification upgrades and increases in taxation relating to aggregate tax, landfill tax and climate change levy.

Case study 17: McCarthy and Stone Plc 2002, Operating & Financial Review
By comparison construction costs increased by 7.0% including specification upgrades and increases in taxation relating to aggregate tax, landfill tax and climate change levy.

Relating Landfill Tax and the Aggregates levy payments to output would give shareholders a fair view of these companies' performance over time, in an area that the companies themselves obviously take very seriously.

Environmental Accounting

- No companies provide environmental accounting information.
- Neither Full Cost Accounting nor Environmental Management Accounting used.

The topic Environmental Accounting covers two types of environmental accounting in this study:

- Traditional environmental accounting measures capital and operating costs related to the control or reduction of a company's environmental impacts. Examples are investments in eco-efficient boilers or remediation expenditures.
- Full Cost or Triple Bottom Line accounting methods attempt to take some account of company's external costs i.e. any cost borne by the natural environment, society, and/or individuals as a result of the company's activities but without any financial cost to the company, as well as its private costs.

The use of both types of environmental accounting can help to link environmental issues and impacts through business systems into management and financial accounts and hence to shareholder value.

Neither are referred to explicitly in the Annual Reports and Accounts of any FTSE All Share company. Whilst many references are made to the financial costs incurred as a result of remediation and other environmental liabilities, these are generally within the context of the Accounts or Notes To The Accounts or as a part of a general discussion. Environmental taxes are treated in a similar way.

Standard methods of environmental management accounting[15] can be used to clearly demonstrate to the shareholder the actual annual costs of a company's impact on, and benefit to, the environment in the same currency as the Accounts themselves. This provides the ideal platform to demonstrate the relative effects of environmental issues on a company's bottom line.

Full Cost Accounting or Triple Bottom Line Accounting both give consideration to external costs which are, by definition, not incurred by the company. While this may not have been

15 See Environmental Management Accounting Procedures & Principles UN, New York 2002;
Discover How to Increase your Profits with Environmental Management Accounting - Envirowise supported by ACCA, ICAEW, CIMA and the Environment Agency, 2003; Advances in Environmental Accounting: Proceedings of the ACCA/Environment Agency Seminar, ACCA/Environment Agency, January 2004

considered relevant to all shareholders in the past, government regulations are increasingly attributing these external costs to the companies that are responsible for them as a result of the widespread adoption of 'the polluter pays principle'. As a result, Full Cost Accounting can provide additional insight into the potential future costs of a company in the context of its existing operating costs and margins.

Within some environmental accounting systems all environmental expenditures are categorised positively. Shareholders can better assess environmental expenditures in terms of effect. For example, knowing how much a company has spent on scrubbers to reduce emissions has no meaning unless it is accompanied by some assessment of emissions reductions achieved or expected.

Addressing shareholders - audited and un-audited disclosures

The annual filings of UK companies to Companies House must include, in addition to the Accounts and Directors Report, an Auditor's Report which is written by a registered external company auditor[16]. The company auditor's role is to ensure the Accounts have been properly prepared in accordance with the Companies Act 1985 and present a 'true and fair... picture of the company's state of affairs'. The accounts cover the Accounts and Notes to the Accounts.

In addition, the auditors must review the Directors Report and state in their report whether there are any inconsistencies between statements in the Directors Report and the Accounts. For example, a statement in the Auditor's Report would be required if the Directors Report stated that the company had, 'strong earnings growth since last year,' when in fact the accounts showed the same earnings as the previous year. In practice an auditor would point out the inconsistency at draft stage and therefore would not be required to include a negative statement in their report.

In the context of the Companies Act 1985 (as amended) the Directors' Report means the entire Annual Report, referred to as the Report in this study. The key point is that the Annual Accounts are audited whereas the Report is reviewed for inconsistencies with the Accounts. Information in the Report that does not give rise to inconsistencies with the Accounts is therefore not audited. This would include virtually all the disclosures analysed in this study. For example, statements on environmental policy are not audited, nor are quantitative measures of emissions or waste, except where these relate to provisions or contingent liabilities that are detailed in the accounts.

The OFR regulations, as currently drafted, significantly expand the required scope of auditor review. In addition to checking for consistency, auditors will have to positively state that the directors' report and OFR were compiled after *'due and careful'* enquiry and are consistent with the accounts. Additionally they will have to report whether, during the course of their audit, they found any matters that were inconsistent with the information in the OFR.

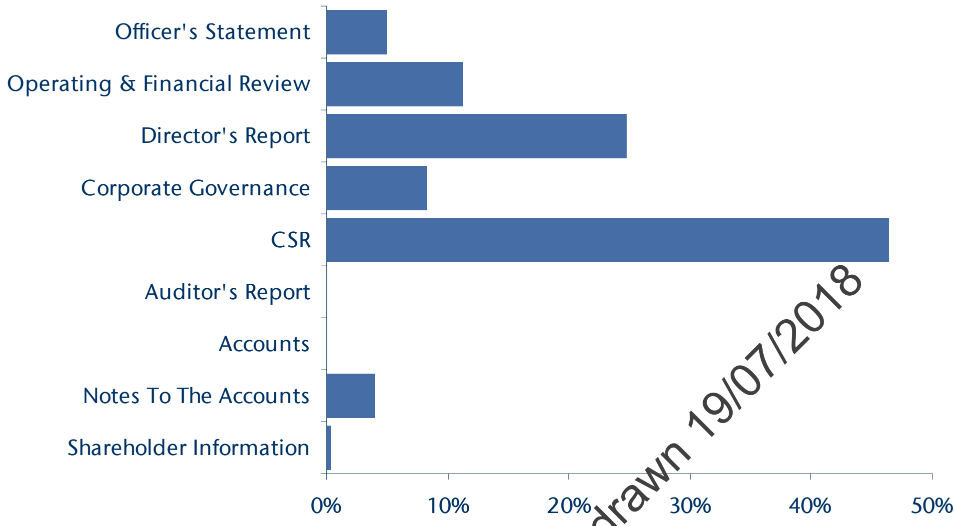
In this section the level of audited disclosure has been estimated by identifying environmental disclosures in the various sections of the Reports that *could* give rise to inconsistencies with the Accounts. This approach was necessary because a 'positive' statement in the Auditors Report is not yet a requirement. As a result it is considered to be a generous interpretation of auditor review. Some case studies have also been included.

[16] A person appointed as auditor under Chapter V of Part XI of the [1985 c. 6.] Companies Act 1985

Degree of disclosure in audited sections of Annual Reports and Accounts

Figure 20 shows that a very low proportion of disclosures are given in the audited section of the Annual Reports and Accounts.

Figure 20. Distribution of environmental disclosures by account section.



Most of these disclosures (4%) appear in the Notes to the Accounts rather than the Accounts themselves (less than 1%) because environmental provisions and liabilities are usually included within general provisions and liabilities. Accounting standards require a brief description of the nature of the liability or provision in the accounts and a description of the expected timing and amount of any expected costs or benefits. This appears in the Notes to the Accounts, which are also audited.

It is not surprising then, that the majority of disclosures on environmental provisions and liabilities appeared in the audited section of the Annual Reports and Accounts, nor that the majority of disclosures in the audited sections of the Annual Reports and Accounts refer to Provisions and Liabilities. The environmental topics that appear in the audited sections of the Annual Reports and Accounts are almost all linked to the companies' provisions or liabilities.

Companies making audited disclosures

Table 11 illustrates the fact that companies making disclosures in the audited sections of the Annual Reports and Accounts were predominantly those facing the most regulation. 69 companies disclosed in this way. It should be noted that support services includes waste and companies that provide other environmental services.

Table 11. Number of companies in each main FTSE sector making disclosures in the audited sections of the Annual Reports and Accounts

FTSE economic group	FTSE sector	Total number of companies in FTSE sector	Companies reporting In audited sections	% of sector reporting in audited sections
Cyclical services	Support services	64	10	16%
Resources	Mining	9	8	89%
Basic industries	Construction & building materials	40	7	18%
Utilities	Utilities, other	9	6	67%
Utilities	Electricity	5	5	100%
Basic industries	Chemicals	11	4	36%
Resources	Oil & gas	14	4	29%
General industries	Engineering & machinery	22	3	14%
Cyclical services	Transport	27	3	11%

Closer examination indicated that the majority of these disclosures are of liabilities resulting from environmental regulation or litigation required under FRS 12 rather than voluntary or exemplary reporting.

Provisions and Contingent Liabilities

An example is given by Anglo American (case study 18) which clearly differentiates between environmental provisions and other provisions.

In a general sense, all provisions are contingent because they are uncertain in timing or amount. However, in FRS 12 the term "contingent" is used only for liabilities and assets that are not recognised (i.e. not accounted for).

A **provision** is a liability that is of uncertain timing or amount, to be settled by the transfer of economic benefits. (The term "provision" is also used sometimes in the context of items such as depreciation, impairment of assets and doubtful debts: these are adjustments to the carrying amounts of assets and are not addressed in FRS 12.) Provisions can be distinguished from other liabilities such as trade creditors and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement. Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions.

A **contingent liability** is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- a present obligation that arises from past events but is not recognised because:
    - it is not probable that a transfer of economic benefits will be required to settle the obligation, or
    - the amount of the obligation cannot be measured with sufficient reliability.

Source: *Financial Reporting Standard 12, Accounting Standards Board, September 1998*

This is a requirement of FRS 12; aggregation of provisions is acceptable only if they are similar. This is useful in giving a clearer picture of the environmental regulatory cost of a company's operations.

Case study 18: Anglo American Plc, Annual Report and Accounts 2002

23 PROVISIONS FOR LIABILITIES AND CHARGES

US$ million	Post retirement medical funding	Pensions and similar obligations	Deferred taxation	Restoration, rehabilitation and environmental	Other	Total
At 1 January 2002 as previously reported	264	116	87	384	410	1,261
Prior year adjustment (see note 1)	-	-	933	-	-	933
At 1 January 2002 restated [1]	264	116	1,020	384	410	2,194
Subsidiaries acquired	-	39	(9)	93	13	136
Subsidiaries disposed	(3)	(4)	-	(5)	(50)	(62)
Cessation of consolidation of KCM [2]	-	-	-	(25)	(5)	(30)
Charged (credited) to profit and loss	17	52	160	28	102	359
Reclassifications	3	14	-	(23)	(65)	(71)
Unwinding of discount	-	-		8	-	8
Unused amounts reversed to profit and loss	-	-	-	(2)	(68)	(70)
Amounts applied	(24)	(51)	-	(4)	(109)	(188)
Currency movements	106	`14	411	37	52	620
At 31 December 2002	**363**	**180**	**1,582**	**491**	**280**	**2,896**

The amounts of deferred taxation provided in the accounts are as follows:

US$ million	2002	2001 Restated[1]
Capital allowances in excess of depreciation	**1,765**	1,260
Other timing differences	**(183)**	(240)
	1,582	1,020

[1] Restated for the adoption of FRS 19 – see note 1.

[2] KCM ceased to be consolidated by the Group during the year – see note 29.

The potential impact of unprovided deferred tax assets on the future effective tax rate of the Group is discussed in note 10 c).

The restoration, rehabilitation and environmental provision represents the best estimate of the expenditure required to settle the obligation to rehabilitate environmental disturbances caused by mining operations. These costs are expected to be incurred over a period in excess of 20 years from the balance sheet date.

Case study 18: Anglo American Plc, Annual Report and Accounts 2002

31 CONTINGENT LIABILITIES

Contingent liabilities comprise aggregate amounts of US$278 million (2001: US$314 million) in respect of loans and performance guarantees given to banks and other third parties.

AngloGold North America has US$59 million of reclamation bonds with various federal and governmental agencies, to cover potential environmental obligations. These obligations are guaranteed by AngloGold Limited.

There are a number of legal or potential claims against the Group, the outcome of which cannot at present be foreseen. Provision is made for all liabilities which are expected to materialise.

In addition to the amounts relating to Group companies above, under Chilean law, payment of customs duties associated with capital assets can be deferred for up to seven years. As at 31 December 2002, Collahuasi has potential deferred customs duties of US$40 million.

The total provision is the amount at December 2002, in this case US $491 million. The reference to reclamation bonds in Anglo American's notes on contingent liabilities refers to the common requirement by North American federal and government agencies for mining companies to place bonds with the agency prior to the commencement of operations. These bonds will generally earn interest for the company but provide the agency with collateral should the company be unable to honour its remediation commitments. The Environment Agency also requires bonds or equivalent for landfill sites.

Provisions and liabilities disclosure in un-audited sections of Annual Reports and Accounts

Given that the Directors' Report, which is all sections of the Annual Report and Accounts not including the Accounts or Notes to the Accounts, is reviewed for any inconsistencies with the Accounts but no more, it makes sense to examine references to environmental provisions and liabilities outside the audited sections of the Annual Report and Accounts, of which there were 26. The majority of these references appear in the Operating and Financial Review (16 out of 26) or the HSE/CSR section (8 out of 26).

In the Operating and Financial Review, references refer to a variety of issues relating to the companies' provisions and liabilities. For example, BP highlights the importance it places on estimating the value of environmental liabilities correctly. Other companies, such as BT Group, simply make the point that they do not have any current liabilities. Interestingly, in the majority of cases where environmental impacts are cited as causing a material impact on company finances, they refer to US regulation or litigation. The two main examples are asbestos litigation in the US which has been a major concern for companies involved in mining or use of asbestos in the past and has resulted in many bankruptcies, and the US Comprehensive Environmental Response Compensation and Liability Act (CERCLA or 'Superfund') that enforces current and retrospective liability on firms for site remediation.

Environmental Assets

Whilst disclosure of environmental resources is required under International Accounting Standards for resource intensive companies such as the oil and gas and mining sectors, other environmental assets are seldom disclosed. However, new standards such as International Accounting Standard 41 which allows forestry to be recognised as a biological asset, look set to increase the recognition of natural resources as natural assets in Annual Report and Accounts. The EU Emissions Trading Scheme will also give rise to environmental assets in the form of rights to emit greenhouse gases.

Conclusion

In summary, companies are required to provide descriptions of their environmental liabilities and the provisions they make for them or 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 un-audited sections of the Annual Reports and Accounts tend to refer to their existence, lack of existence and financial amount and occasionally the accounting policies used. As most of these statements appear in the Operating and Financial Review, they focus on the financial materiality of the liabilities, both current and future. In future companies would also be expected to disclose more about environmental assets.

Adding value – levels of quantitative reporting in the FTSE All Share

- Only 27% of FTSE All Share companies that do report provide quantitative data, 73% provide qualitative disclosures only.
- Level of quantitative disclosures is positively correlated with company size (as defined by market capitalisation).
- Quantitative disclosure is limited to few measurable environmental impacts: Waste management, Climate change, Energy use, Water, and Provisions and liabilities.

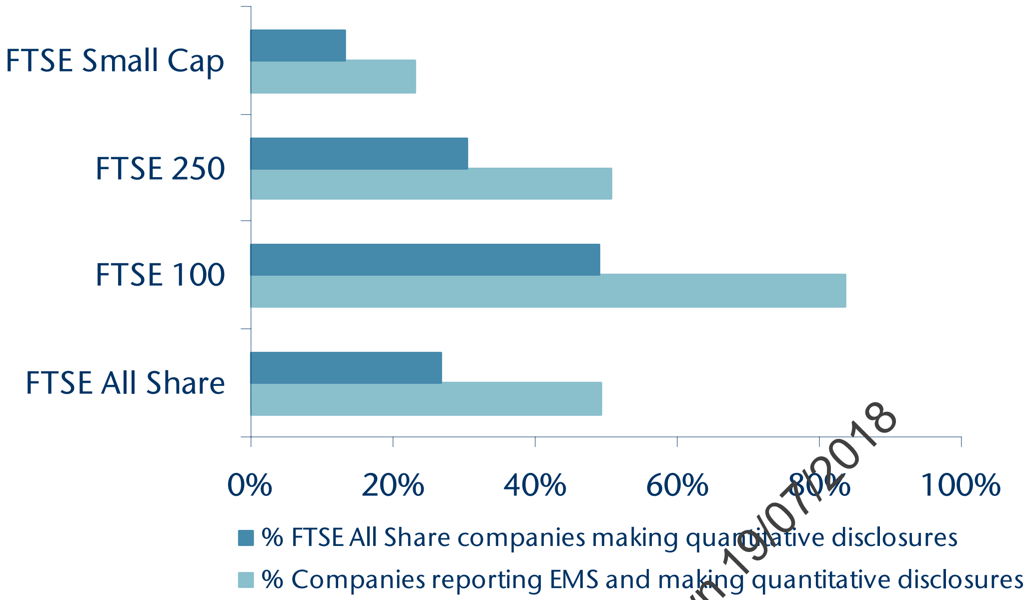
Of those FTSE All Share companies that do report, 73% provide only qualitative information on environmental topics; only 27% companies disclose quantitative data. The definition of quantitative disclosures has been kept wide for the purpose of this study to include, for example, percentage improvements of environmental performance, savings made because of improved environmental performance and quantities of emitted greenhouse gases in tonnes. The case studies in this section demonstrate the variety of approaches to quantitative reporting.

The level of quantitative disclosures increases with the size of the company. 49% of the reporters in the FTSE 100 provide quantitative disclosures. The percentage decreases to 30% in the FTSE 250, and to 13% in the FTSE Small Cap. The correlation between size of company and level of quantitative disclosures is quite strong, and the distinction between FTSE 100 and FTSE 250 more pronounced than for overall disclosure (see *Overall Disclosure in The FTSE All Share*).

Companies that have an Environmental Management System (EMS) in place and report on it are seen to also disclose more quantitative information. Figure 21 demonstrates this correlation. Out of all reporters in the FTSE All Share, 27% report quantitatively, but this rises to 49% amongst those companies that have an EMS in place and report on it. In FTSE 100, FTSE 250 and FTSE Small Cap indices, the ratio is similar, even though overall percentages rise with an increase in the size of companies.

Only a limited number of environmental topics are reported on quantitatively. It is obvious that for some topics the disclosure of quantitative information is more fitting than for others.

Figure 21. Correlation between the use of an Environmental Management System (EMS) and the disclosure of quantitative data in Annual Reports and Accounts



For example, it would be straightforward to disclose quantities of greenhouse gas emissions but difficult to attempt quantitative statements on less tangible topics such as environmental policy. Many impacts however, are easily measurable, and in some cases have to be reported to the regulator (for example to the Environment Agency's Pollution Inventory). The quantitative reporting levels as measured in this study, however, are still lower than one may expect, given the availability of the data:

- **Raw materials** Quantities of raw materials used can be determined from supplier invoices.
- **Water** Information on a company's water use can be obtained from their provider.
- **Energy use** Quantitative data can be obtained from energy suppliers and calculating CO_2 from fuel costs and mileage estimates.
- **Waste management** Data on waste quantities can be obtained from waste management companies.
- **Climate change** For many companies, the emission of greenhouse gases is their biggest environmental impact, through heating and energy requirements and transport. The Defra greenhouse gas reporting guidelines or the World Business Council for Sustainable Development's GHG calculation tool are often used.

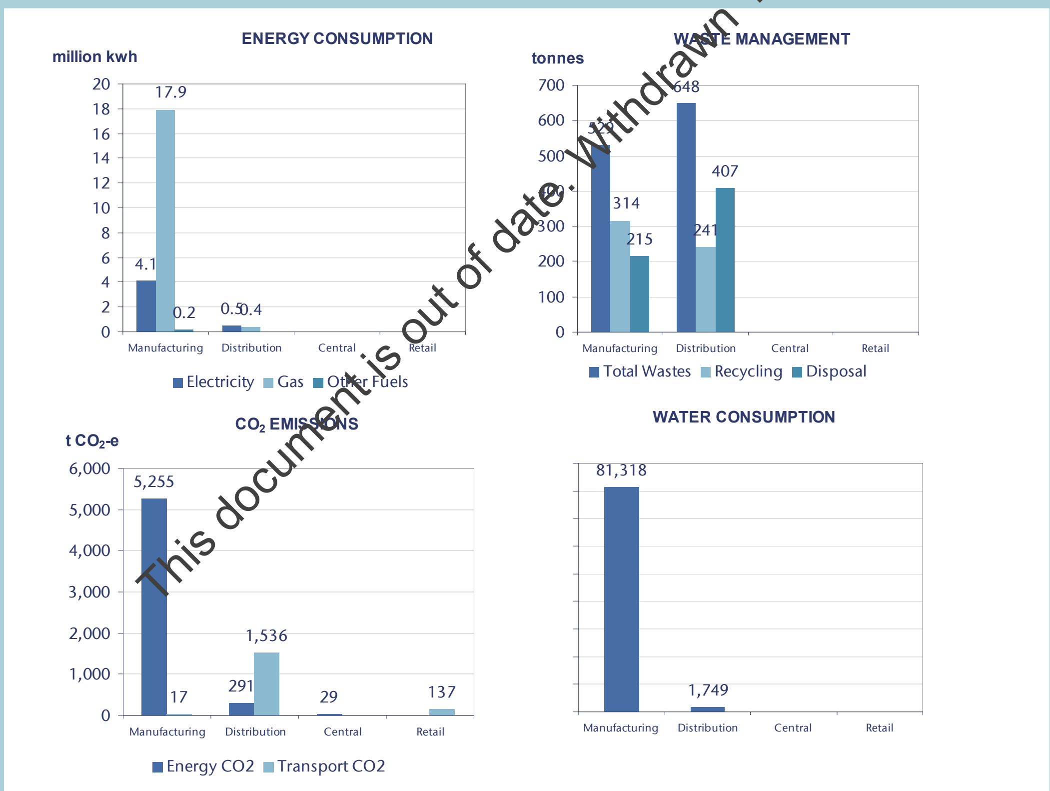
- **Other environmental impacts** Companies can use data supplied to the Environment Agency and, for companies with overseas operations, other environmental protection agencies.

- **Provisions and liabilities** Disclosures on provisions and liabilities are required by accounting standard FRS12.

Laura Ashley Holdings Plc (Case study 19) a FTSE Small Cap company, provides a good example of clear quantitative performance metrics being provided in its Annual Report and Accounts.

Case study 19: Laura Ashley Holdings Plc, Annual Report and Accounts 2002

At a corporate level, the Board of Laura Ashley Holdings plc is committed to a programme of continual environmental improvement throughout the business; ensuring compliance to all relevant environmental legislation, the prevention of pollution and encouraging divisions of the Laura Ashley Group to report on energy, waste and fuel consumption with the aim of setting performance indicators.



Working with the regulator – The Environment Agency's role

- Only 4% of FTSE All Share companies refer to the Environment Agency in their Annual Report and Accounts.
- All of these references are made in the context of compliance (except one which is made in reference to environmental procurement), and the vast majority are qualitative.
- The references come from a wide variety of companies in 13 different sectors.
- Climate change and landfill taxes most discussed.

The Environment Agency is responsible for the protection and management of the environment (land, air and water) in England and Wales. Around 300,000 companies are currently regulated by the Environment Agency, and new EU measures will extend the number to around 1,000,000 in 5 years time. It issues environmental authorisations and permits to a significant number of listed companies (both UK and multi-nationals) operating in England and Wales. It also has powers to enforce these licence conditions, and if required for very serious breaches it can withdraw them. Such licenses form part of many companies' license to operate, without which many could not carry out their activities.

The documentation and verification of compliance with regulations is an extremely valuable data source. If companies have to measure and verify emissions from an installation they should be able to consolidate this information for the use of their shareholders – the information already exists.

Just over 4% of companies in the FTSE All Share make reference to compliance issues with the Environment Agency. Given that the Environment Agency is vested with powers to grant and remove a company's license to operate and pursue fines and prison sentences for company directors committing environmental offences, there are surprisingly few companies highlighting the risk of non-compliance or the effects of removal of any of these licenses or the risks that company directors can face prosecution.

The references to the Environment Agency come from 13 sectors. The Environment Agency directly regulate almost two-thirds (60% excluding investment trusts) of the FTSE All Share. However as the regulations generally cover operations and processes at a site or installation level they cannot be perfectly mapped to the stock market sectors. Surprisingly, with the exception of utilities (mainly water companies) and forestry, pulp & paper (one company, DS Smith) there is little discussion of the potential business issues that may arise from lack of compliance with, or licensing from, the Environment Agency.

Interserve (Case study 20) give a good example of a company outside those sectors communicating the importance of management systems and compliance in the course of their business (support services to a range of industries).

Case study 20: Interserve Plc, Annual Report and Accounts 2002

Interserve's workload profile changes from year to year and with it the potential for environmental damage. The environmental management systems developed within operating companies focus on minimizing the environmental impact of projects and eliminating the risk of pollution incidents. As a result of these arrangements, in 2002 there were:

- No cases of enforcement action taken against any Group company by the Environment Agency
- No incidents of pollution reportable to the Environment Agency

Assessing links to shareholder value in the FTSE 350

It is the Environment Agency's view that the way in which a company treats the environment is an important issue that affects its profitability, reputation, employees, customers and investors. The objective of this part of the study was to determine which companies were linking disclosures to the bottom line and 'shareholder value' of the company. The term shareholder value is defined here as the current and potential value of the shareholder's assets.

In general, the findings indicate that disclosures relating to environmental policy, management and performance are more often linked to a concept of CSR rather than being an integral part of the core management and financial performance of the business. This lack of a direct link is disappointing. Many shareholders will be left questioning the significance of environmental issues to the bottom line and consequently ignore them, unless the link is made more explicitly.

Direct links between management of environmental risks and shareholder value are almost non-existent, so a set of selection criteria was adopted to determine the degree to which these links are being made. The selection criteria are given in Table 12.

Table 12. Criteria used to assess links to shareholder value in the disclosures of FTSE 350 companies (excluding investment trusts) and the number of companies matching each criteria

Disclosure criteria	Description of criteria	Number of FTSE 350 companies (% of FTSE 350)
1. Quantitative reporters with awareness of bottom line impact	Companies that provide quantitative environmental performance data and link environmental impacts to shareholder return/bottom line/license to operate	18 (6%)
2. Quantitative reporters with awareness of savings potential	Companies that provide quantitative performance data and link it to financial savings, but provide no link to shareholder return/bottom line.	17 (5%)
3. Quantitative reporters	Companies that provide quantitative performance data, but provide no financial link.	71 (23%)
4. Qualitative reporters	Companies that provide commentary on their environmental impact, but no quantitative data.	195 (62%)
5. Non-reporters	Companies that provide no information on the environment in the Report & Accounts	13 (4%)

For this part of the study, which is about identifying companies that explicitly link environmental performance to financial performance, it was decided not to use quantitative disclosures that are required under Financial Reporting Standards, i.e. to focus on non-mandatory disclosures. While mandatory disclosures (in particular FRS12) are quantitative disclosures linking environmental issues to the financial statement of the company, they are dealt in detail in *Addressing Shareholders*, Page 37. Findings relating to the drivers behind the non-mandatory reporting of financial links would be lost if mandatory disclosures had been included as well (twice as many companies make mandatory as opposed to non-mandatory links).

Examples are given below

1. **Quantitative reporters with awareness of bottom line impact**

Case study 21: Scottish Power Plc Annual Report and Accounts 2002/2003	**Case study 22:** BAA Plc, Annual Report and Accounts 2002/2003
Protection of the habitat of threatened and endangered species makes it difficult and more costly to perform some of the core activities of PacifiCorp [a Scottish Power subsidiary], including the siting, construction, maintenance and operation of new and existing transmission and distribution facilities, as well as hydro thermal and wind generation plants. In addition, endangered species issues impact the relicensing of existing hydro-electric generating projects, generally raising the price PacifiCorp must pay to purchase wholesale electricity from hydro-electric facilities owned by others and increasing the cost of operating PacifiCorp's own hydro-electric facilities.	It is important to recognise that the licence to grow our airports would not be possible without support from a wide range of stakeholders. That is why we will continue to work hard to maintain effective working relationships with all those who have an interest in our business. This includes the people who live close to the airports, as well as shareholders, airlines, passengers, staff and control authorities. Our aim is to operate our facilities in a way which maximises their economic and social benefits, whilst minimising environmental disbenefits. That means paying very close attention indeed to issues like the management of noise, the monitoring of air quality and the promotion of modern public surface transport facilities to and from the airports.

Both these examples appear in the Operating and Financial Review section of the Annual Reports and Accounts, making them more likely to be read by shareholders than if they appeared in a CSR section. The study found that companies making these types of disclosures typically make them in the Officers' Statements or the Operating and Financial Review. Note also how the environment is treated as an implicit factor in the operation of the firm. Scottish Power makes the point that complying with local (in this case US) environmental regulations results in increased operating costs and not complying leaves the company at risk of not retaining official licenses to operate. BAA describes the license to operate provided to the company by its stakeholders – mainly local community groups. Without keen attention to the demands of these stakeholder groups, BAA would not be able to expand its operations. The recent epic planning permission application for Terminal 5 at Heathrow Airport is a case in point.

The second two examples in this section demonstrate the importance of a corporate approach to sustainability to a growing class of shareholder.

Case study 23: BT Group Plc, Annual Report and Accounts 2003	**Case study 24:** British Airways Plc, Annual Report and Accounts 2002/2003
Investors are paying increasing attention to the ways in which social, environmental and ethical issues are managed to both preserve and grow shareholder value. ... This section concentrates on CSR (corporate social responsibility) governance, CSR risks, digital inclusion, environment, community and business opportunities. More detailed disclosures on BT's implementation of social, ethical and environmental policies and procedures are available online in our independently verified social and environmental report.	The very difficult business climate has not diminished your company's commitment to high standards of corporate social responsibility. We have continued to work hard to improve performance in this increasingly important area. Apart from the fact that British Airways believes in social responsibility, including environmental care and concern for the communities we serve and in which we work, there are sound business reasons for this. Consumers will more and more judge a company on its integrity and ethics, as well as the value of its commercial products and services.

In the introduction to the CSR section of their Annual Report and Accounts, BT gives clear reasoning behind its investment in a corporate social responsibility approach, making it clear that it is driven from a shareholder value perspective. British Airways has an equally valid but slightly different justification for its investment in social responsibility – the belief that consumers will 'judge a company on its integrity and ethics as well as the value of its commercial products and services.' – this is particularly true of a company such as British Airways that has invested so heavily in its brand.

2. Quantitative reporters with awareness of savings potential

While not making an explicit link to shareholder value, Boots demonstrates that environmental management and performance have a positive impact on the company's bottom line as well. It is interesting to note, however, that most disclosures of this type appear in the CSR section of the Annual Report and Accounts.

Case study 25: Boots Plc 2003
For example, despite increasing turnover last year we cut waste disposal by 8.4%. This saved us around £160,000 in disposal costs alone – and disposal costs represent only a relatively small Part of the total cost of waste to the business, which also includes the cost of extracting, manufacturing and transporting the raw materials to Boots. Around 46% of the 37,000 tonnes of waste we produced last year was recovered through recycling or incineration with heat recovery. We have now set a five year goal of reducing like for like waste disposal by a further 20%.

3. Quantitative reporters with no link to savings or bottom line

United Utilities (Case study 26) provides clear performance indicators although does not demonstrate the value to the business of these strategies. For example, are there business benefits (reduced costs, revenue from recycling) for reducing sludge to landfill or is it simply altruistic? It is important that shareholders are made aware of not only what a company is doing but why.

Case study 26: United Utilities Plc 2003

The key environmental interests identified by our stakeholders are waste and resource management, climate change and renewable energy, legislative and regulatory compliance, biodiversity and surface water quality.

...The proportion of wastewater sludge our regulated business disposes to landfill has decreased to 14 per cent this year. More is going to use in land reclamation and water sludges are now also being used in the manufacture of bricks.

4. Qualitative reporting

Carnival Plc (Case study 27) is typical of companies that discuss their environmental impact but do not provide any quantitative performance indicators. Carnival, formerly P&O Princess Cruises, acknowledges that it has an impact on the environment, and the environmental section goes into more detail on the efforts it has made to reduce this impact although as yet it does not provide any quantitative performance indicators.

Case study 27: Carnival Plc 2003

P&O Princess Cruises also places a high priority on minimising and responsibly managing waste production and on ensuring that we have in place effective waste management standards as well as waste sorting and segregation policies. Our waste minimisation initiatives include the use of digital x-ray equipment and water-based chemical dry-cleaning systems together with a programme to reduce the number of chemicals used on board.

Value in environmental reporting?

Only 17 companies (5% of FTSE 350) provide an explicit link between shareholder value and environmental reporting, and only 35 (11% of FTSE 350) make a link between business and environmental performance. The key issue here is that, unless shareholders are made aware of why a good environmental policy and management structure is good or, in some cases, imperative for the business, there is no reason for them to support it. There are many companies in the FTSE 350 that provide environmental information, but unless the link is made, it is all too easy for shareholders to see environmental management as a non-core business issue rather than being an integral part of a company's operations, risk management and profitability.

Supplementary environmental reporting

- The level of disclosures in environmental reports or websites of those companies that have no environmental disclosures in their Annual Reports and Accounts is generally lower than amongst those companies that disclose environmental information in their Annual Reports and Accounts.
- Only 27% of FTSE All Share companies that do not disclose environmental information in their Annual Reports and Accounts do so elsewhere.
- 46 Companies make no environmental disclosures in the Annual Reports and Accounts OR elsewhere.

Disclosures of environmental information by companies are made in various forms. While some companies disclose their environmental policies on their corporate website, other companies publish standalone environmental reports, or environmental sections in more general sustainability reports.

As stated before, this study focuses on disclosures in Annual Reports and Accounts in the light of the forthcoming Operating and Financial Review. However, in many cases, information is provided elsewhere that has not been included in Annual Reports and Accounts. This section acknowledges this fact, but this is not an in-depth study of disclosure levels in other reports. This analysis is high level and does not provide information on the breadth or quality of the information provided. Any reference made to environmental issues, for example a general statement of intent or an acknowledgement of the environmental impacts of a company, has been counted as a disclosure.

Of the 63 companies in the FTSE All Share that make no reference to environmental topics in their Annual Reports and Accounts, 27% disclose some form of environmental information elsewhere (for example on a website or separate report). Reed Elsevier (Case study 28), a FTSE 100 company, was one such company that has reporting on its website but not in its Annual Report and Accounts. This still leaves 46 companies in the FTSE All Share that make no mention of the environment either in their Annual Reports and Accounts or in a supplementary report.

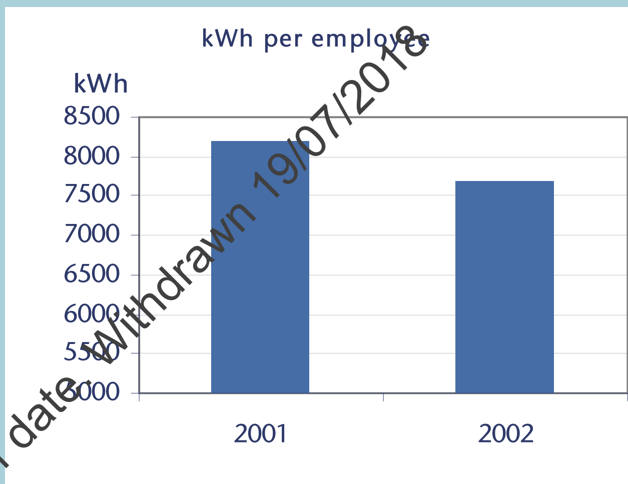
Almost all FTSE 100 companies disclose environmental information in some form. The four FTSE 100 companies that do not make any reference to environmental topics in their Annual Reports and Accounts do so elsewhere. Almost all of those FTSE 100 companies that disclose some information in their Annual Reports and Accounts also provide supplementary information in the form of stand alone reports or website content but these are less likely to be used by mainstream investors and analysts.

The level of supplementary reporting decreases in FTSE 250 and FTSE Small Cap. In the latter, 80% of companies that do not make any reference to environmental topics in their Annual Reports and Accounts, do not provide any information elsewhere, whereas 60% of those companies that make references in Annual Reports and Accounts, provide additional information elsewhere.

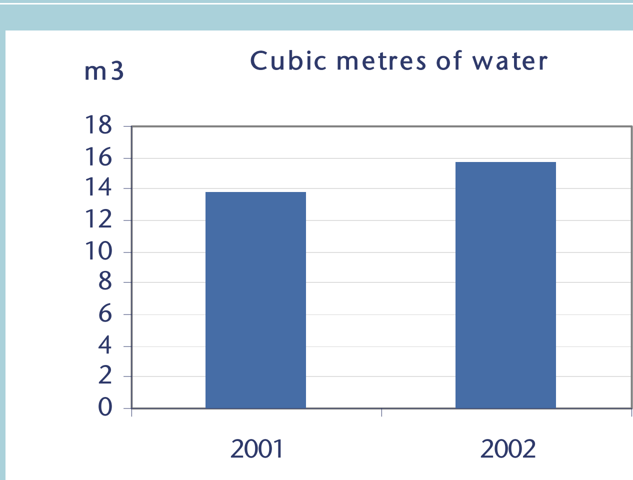
Reed Elsevier (Case study 28), a FTSE 100 company, make no disclosures on environmental topics in their Annual Report Accounts. In their 2002 CSR report, however, they provide both quantitative data and commentary on their environmental performance.

Case study 28: Reed Elsevier, CSR Report 2002

We increased data coverage for energy use to over 75% of our businesses by turnover and by employee numbers. Total energy use for Reed Elsevier for 2002 was 213,450 MWh. To assist comparison with prior year data, the graph shows the indicator of kWh per employee. This indicator shows a 6% improvement in energy use across the businesses. There are good examples of energy efficiency improvements across Reed Elsevier, although some improvements in this indicator may be accounted for by improvements in our data gathering process.



In 2002 water use data for over 75% of employees was collected disclosing consumption of nearly 470,000 m3. Around 95% of water used in Reed Elsevier is for office activities. The limited number of printing facilities owned by Reed Elsevier use technology requiring minimal or no water. The apparent increase in consumption over the previous year reflects the improved coverage and quality in data collection.



Disclosure in FTSE All Share dual listed companies

- Overall reporting levels are similar for companies listed only in the U.K. (97%) and for dual-listed companies (95%).
- Dual listed companies disclose quantitative information slightly more often (40%) than companies listed in the U.K. only (31%).
- Few companies produce separate reports in different listing regimes (with the exception of U.S. listed companies).
- The Management's Discussion & Analysis (MD&A) required under the U.S. reporting regime has similar disclosure requirements to the draft OFR. Reporting in the U.S. is still regarded as 'inadequate'.

About one third of companies in the FTSE All Share are dual-listed, i.e. are listed at one or more Stock Exchanges outside the UK. The high-level analysis in this section looks at dual listings in Europe, the US, Japan, Australia and South Africa. This section will identify differences in disclosure levels and identify themes on the basis of case studies.

There is little evidence that environmental reporting of dual-listed companies in Annual Reports and Accounts is influenced by reporting regimes outside the UK. Overall reporting levels are similar for companies listed only in the UK (97%) and for dual-listed companies (95%).

Dual listed companies disclose quantitative information slightly more often (40%) than companies listed in the UK only (31%). Although this apparently shows that quantitative disclosure is more frequent in companies with a dual listing there is a size bias. In general larger companies are more likely to have a dual listing and are more likely to disclose quantitatively. Analysis of individual company submissions to different listing regimes reveals few substantive differences. Interestingly, only eleven FTSE 100 companies do not have an additional listing elsewhere, demonstrating that most are already subject to the reporting and listing requirements of more than one country.

Companies do not generally publish separate Annual Reports and Accounts in the different countries where they are listed. With the exception of the US, it appears that, in the main, reporting requirements for the different listing regimes are met in one document for all company shareholders. This must be submitted to the relevant regulatory authorities responsible for securities, exchanges and investments. Companies that are dual-listed on a European stock exchange face similar reporting regimes that generally follow IAS requirements.

Companies also listed in the US

Under the Securities Exchange Act of 1934 companies dual-listed in the UK and the US must submit annual information to the US Securities and Exchange Commission (SEC) in a separate format (Form 20-F). It corresponds to the Form 10-K that US public companies are required to file. A company that is listed both in the UK and the US will therefore be required to publish its Annual Report and Accounts in the UK and submit a 20-F to the US Security and Exchange Commission.

The analysis of 20-F submissions is of particular interest as they include a Management Discussion and Analysis (MDA) section which is equivalent to the proposed OFR. This section has similar non-prescriptive requirements for environmental disclosures to those envisaged in the draft UK OFR regulations. In the US companies must disclose environmental information where it might, '*alter a reasonable investor's view of the company'*. This is very similar to the draft OFR regulation which states that it should contain adequate information for shareholders, '*to assess the strategies adopted by the company and the potential for those strategies to succeed'*.

It is widely acknowledged that the SEC disclosure requirements are inadequately enforced. A study by the US Environmental Protection Agency, for example, revealed in 1998 that 74% of companies with pending legal proceedings did not disclose these in their submissions to the SEC. Other companies that comply, do so by providing little beyond the minimum amount of required information, without meaningful discussion of the data provided.[17] [18] Nevertheless 20-F submissions may give an indication of how UK environmental reporting might change after the OFR regulation has come into force. The requirements for auditors to positively review OFRs may result in less disclosure of environmental factors that are not considered to be financially material which could negate the benefits of the OFR for shareholders and investors.

In many 20-F filings, items on compliance, and provisions and liabilities represent the full extent of the environmental disclosure. Premier Farnell plc, for example, provide, in the CSR section of its UK Annual Report and Accounts, a detailed account of efforts and activities aimed at improving their environmental performance, including quantitative performance data. The environmental topics covered are climate change, compliance, EMS, environmental policy, license to operate, waste management and water. In Premier Farnell plc's submission to the SEC, however, there is a reference to compliance only.

There is a greater emphasis on financial materiality in 20-F filings. For example, Imperial Chemical Industries Plc (ICI) report on provisions and liabilities in both reports (as is required

[17] Repetto, R. and Austin, D., Quantifying the Financial Implications of Corporate Environmental Performance, 2002, Journal of Investing.
[18] Repetto, R., Protecting Investors and the Environment through Financial Disclosure, 2003

of them both in UK and US) and comment on them using very similar wording. The most significant difference is that at the end of the 20-F submission ICI include the words '*It is believed that, taking account of these provisions, the cost of addressing currently identified environmental obligations is unlikely to impair materially the Group's financial position and results of operations'.* However, ICI discusses other environmental topics in its UK Annual Report and Accounts (climate change, sustainability/CSR, EMS, energy, environmental incident, environmental policy, pollution, product, resource use, and water) that are largely absent from its form 20-F.

The breadth of environmental topics addressed in 20-F submissions is somewhat restricted, as companies tend to comply with a minimum standard, whereas UK listed companies tend to include more information on their environmental management and performance. There seems to be little overlap of the topics covered in 20-F filings with those covered in UK Annual Reports and Accounts.

Companies also listed in Australia

The introduction of Section 299(1)(f) of the Corporations Act in 1998 requires directors of Australian companies to report on their company's environmental performance in relation to environmental regulations. However, following widespread controversy about mandatory environmental reporting, the Australian government proceeded to remove the regulation with the Corporations Amendment Bill in 2002. The Bill went into consultation in early 2003 and, at the time of writing has not been put forward. At present, therefore, Section 299(1)(f) remains in Australian corporate law.

Aside from the Corporations Act, disclosure of non-financial performance information in Annual Reports and Accounts in Australia is largely voluntary and guided by

- The Principles of Good Corporate Governance and Best Practice Recommendations, published by the Australian Stock Exchange Corporate Governance Council in 2003, which requires companies to '*promote timely and balanced disclosure of all material matters concerning the company'.* As the recommendations are quite recent, the affects on environmental reporting are yet unknown.
- The requirement that providers of financial products with an investment component disclose the extent to which labour standards or environmental, social or ethical considerations are taken into account in investment decision-making[19]. This may, in turn, promote increased disclosure by companies on these issues.

More importantly, however, the CLERP (Audit Reform & Corporate Disclosure) Bill (CLERP 9), scheduled to commence on 1 July 2004, will require public companies to provide information so that investors can assess business strategies and future prospects.

As stated before, separately published reports to fulfil requirements in different listing countries are rare. BHP Billiton (case study 29) is an exception in that it comprises two entities (BHP Billiton Plc , listed in the UK and BHP Billiton Ltd, listed in Australia). Both have identical Boards of Directors and management teams. Separate Annual Reports and Accounts are published for the two entities, to address the different reporting requirements in the UK and Australia. The reports, however, cover the group operations in their entirety.

There are significant differences between the two reports, starting with the length (216 pages in the UK version, 100 pages in the Australian version). The comparison of the tables of contents reveals that the differences are to be found in the directors' report and the financial statements. In terms of environmental disclosure, the reports differ in the reporting on remediation, provisions and liabilities, environmental incidents, compliance and contaminated land. Emphasis on compliance issues appears to be stronger in the Australian

[19] ss1013(A) to (F) of the Corporations Act 2001

version, but environmental provisions and liabilities are disclosed in more detail in the UK version, whereas they are not specifically referred to in the Australian version.

Case study 29: BHP Billiton 2003

Environmental reporting at BHP Billiton: Left – Extract from Directors' Report in Australian Annual Report and Accounts; Right – Extract from Notes to Financial Statements in U.K. Annual Report and Account. In the Australian publication, detailed information on environmental incidents and compliance is provided. This information is not supplied in the U.K. version of the Annual Report and Accounts. In the U.K. version (right), detailed information on environmental provision and liabilities of the group is disclosed (globally); this information is not provided in the Australian version.

Fines, prosecutions and environmental incidents	
BHP Billiton Business	**Fines and Prosecutions**
Energy Coal	• In September 2002, Navajo Mine was fined US$18,390 by the United States Environmental Protection Agency for an interpretation error made in a Toxic Release Inventory submission. • In July 2002, Mount Arthur Coal was fined US$829 by the New South Wales Environment Protection Authority (NSW EPA) in relation to dust generated by coal haulage in March 2002.
Carbon Steel Materials	• In January 2003, Elouera Colliery was fined US$17,472 by the NSW EPA for an excessive dust emission in December 2001 contrary to its environmental license. • In April 2003, Tower Colliery was fined US$914 by the NSW EPA for minewater ponding and run-off caused by irrigation activities contrary to its environmental license.

Performance in relation to environmental regulation

The Group's performance in relation to environmental regulation is measured by:

- The number of prosecutions against and the number of quantum fines incurred, by the Group's global operations during the financial year
- The number of environmentally significant incidents (including non-compliance) that occurred in the Group's global operations.

An environmentally significant event is one with a severity rating of 3 or above based on the Group's internal severity rating scale (tiered from 1 to 5 by increasing severity). There were no such incidents during the financial year.

Further information about the Group's performance in relation to environmental regulation can be found in the Health, Safety, Environment and Community Report which can be viewed on the Group's website at www.bhpbilliton.com/bb/sustainableDevelopment/reportsAndPolicies.jsp or obtained by telephoning Australia (61 3) 9609 3062 or the United Kingdom (44 20) 7802 4177.

Newcastle, Australia

On 28 June 2002, the BHP Billiton Group and the New South Wales (NSW) Government executed contracts for the transfer of four properties in the Newcastle area from the Group to the NSW Government. The properties covered by the land transfer are 150 hectares at the former Newcastle Main Steelworks site, 230 hectares at Kooragang Island, 500 hectares at Belmont Sands and 1500 hectares at West Wallsend. Pursuant to the terms of the contracts the NSW Government agreed to pay the Group US$22 million (net of GST) for the Main Steelworks site. The other properties were transferred to the NSW Government at no cost. The Group will ultimately pay the NSW Government a sum of US$73 million (net of GST) for environmental remediation and monitoring of the former Main Steelworks site and Kooragong Island, industrial heritage interpretation and rail infrastructure relocation on the former Main Steelworks site, of which US$43 million has already been paid.

The transfer of the four properties was conditional, amongst other things, on an indemnity from the NSW Government against responsibility for the remediation of contamination on the Main Steelworks site and Kooragong Island and contamination, which migrates to or is transported off these sites after the date of completion. The Group retains responsibility for any pre-existing environmental liabilities associated with Belmont Sands and West Wallsend and for pre-existing off-site contamination from the former Main Steelworks site and Kooragong Island.

Conclusions and recommendations

This study is intended to provide a baseline for environmental disclosure in the Annual Reports and Accounts of FTSE All Share companies prior to the introduction of the OFR.

The basic findings of the report indicate that the vast majority (89%) of companies discuss some aspect of their interactions with the environment. It would be easy to conclude from this raw statistic that companies already regard their environmental impacts as an important and core subject for discussion. However, closer examination of these disclosures has revealed that the vast majority lack depth, rigour and quantification and few could be described as comprehensive, or adequate for shareholders to properly assess environmental risks or opportunities.

Remarkably, only 10% of the FTSE All Share, 55 companies, report on waste, water and energy/climate change and even less provide quantitative information. This is particularly surprising given that the Defra guidelines recommend that all companies report on these issues as a minimum.

Quantitative environmental disclosures (excluding provisions and contingent liabilities) are made by 24% of companies in the FTSE All Share. Where made, they are seldom related to possible financial consequences (11% of FTSE 350) or linked to future changes in shareholder value (5% of FTSE 350). It is difficult to see how reporting of this kind will provide adequate information for shareholders, '*to assess the strategies adopted by the company and the potential for those strategies to succeed'*, as the draft OFR regulations require.

Companies are obliged, under FRS10 (recognition of tangible and intangible assets), 11 (impairment of assets) and 12 (provisions and liabilities), to account for environmental expenditures and changes to asset values stemming from environmental factors, where they are of the opinion that such factors are financially material. Only 69 companies and their auditors in the FTSE All Share (12%) feel that environmental considerations meet this conventional accounting test of materiality. Put another way 88% of companies do not regard the environment as a business risk which is either sufficiently measurable or likely to occur to warrant recognition in this way.

However, the Environment Agency issues environmental authorisations and permits to a significant number of listed companies (both UK and multi-nationals) operating in England and Wales. It also has powers to enforce these licence conditions, and can withdraw them for serious breaches and seek fines and prison sentences for company directors through the courts. Some companies could find it impossible to trade in this event. It is surprising therefore that only 4% of FTSE All Share refer to the Environment Agency in their Annual Reports and Accounts.

The documentation and verification of compliance with Agency licenses and EU regulations is an extremely valuable data source. If companies have to measure and verify emissions on an installation level they should be able to consolidate this information for the use of their shareholders – the information already exists. Furthermore, compliance with regulations must be of material significance to more than the 16% of FTSE All Share companies that refer to compliance in their Annual Reports and Accounts.

Companies are, however, aware that investors, other stakeholders and commentators have a legitimate interest in the interactions they have with the environment and do respond to demands for information. The existence of an environmental policy is disclosed by 72% of companies and 26% comment on their environmental management systems (EMS). Many providers of sustainability and environmental research on companies for the investment community attach scores to the existence of these policies and systems.

Environmental policies are designed to achieve a number of environmentally positive outcomes such as waste reduction and efficient energy use which often benefit companies financially. They may also help to improve investor relations and public perception. Shareholders need to be able to distinguish between effective and ineffective environmental policies, and the only way they can do this is to look beyond the policy at achievements against targets. The existence of an environmental policy is, in itself, no measure of environmental performance.

Similarly, shareholders may attribute a value to the very existence of an EMS on the basis that it is necessary to have systems in order to reduce environmental impacts. In reality, EMSs can only be properly assessed in terms of their results in the form, for example, of emissions and waste reduction or energy efficiency. This study found few instances of the quantitative environmental disclosures that are required for this type of assessment.

This study also analysed the disclosures of companies that have a dual listing outside the UK in order to see whether other regulatory regimes provoke different disclosure responses from companies. It may be of particular interest to those responsible for the drafting and implementation of the forthcoming OFR regulations to note that disclosure levels for these companies are remarkably consistent with those of companies listed only in the UK. The management discussion and analysis that is required of SEC listed companies has great similarities with the OFR in that environmental information should be disclosed where it might '*alter a reasonable investor's view of the company'.* Although the SEC acknowledges that its enforcement of these provisions has been inadequate, their existence has not prompted appreciably higher levels of disclosure among companies which have a dual listing in the US and indeed could have reduced it. The requirements for auditors to positively review OFRs may result in less disclosure of environmental factors that are not considered to be financially material. The Sarbanes Oxley Act 2002 introduced criminal sanctions for directors who make misleading statements or who omit material information from annual filings. This may increase environmental reporting levels going forward.

The EU Structural Business Statistics Directive (No. 58/97) requires the UK to report information on environmental protection expenditure by industry. Defra fulfils this obligation by means of a voluntary survey of more than 8000 UK companies. This is another example of quantitative data which could be utilised by companies for inclusion in their Annual Reports and Accounts in order to provide shareholders on their environmental protection activities.

In summary, environmental disclosure levels in Annual Reports and Accounts were found to be low. Only 10% of FTSE All Share companies report to the minimum standard that Defra recommends for all companies. Quantification is rare and links between environmental performance and shareholder value are seldom made. Few companies appear to regard the environment as a material business risk or opportunity. Of the companies in this study, 72% have and refer to the existence of an environmental policy and almost a third of those reveal that they use an environmental management system. Environmental policies and environmental systems should generate relevant, useful and quantitative environmental performance data, yet this information is disclosed to shareholders infrequently. Information that is supplied to the Environment Agency, Defra and the EU is not being sufficiently utilised for the benefit of informing shareholders about the environmental risks and opportunities that companies face.

This study reveals that few FTSE All Share companies currently report in a way which would fulfil the environmental criteria of the draft OFR regulation. Overall there is very little consistency in either the type or quality of information that they disclose. The establishment of a consistent set of guidelines with relevant key performance indicators is needed if the OFR objective of producing consistent, comparable and relevant environmental disclosure is to be achieved. Given that data for the new OFRs will have to be collected from January 1st 2005 these guidelines and performance indicators need to be established soon.

Glossary

10-K filings	Statutory annual filings of financial information of US public companies to the US Securities and Exchange Commission (SEC).
20-f filings	Statutory annual filings of financial information of foreign private issuers to the US Securities and Exchange Commission (SEC); equivalent to 10-K filings.
abatement costs	The cost to an emitter of reducing emissions to a given level.
auditor's report	A section of an annual report that includes the auditor's opinion about the veracity of the financial statements.
biodiversity	Biological diversity.
bottom line	The bottom line on a company's income statement shows its actual profits according to generally accepted accounting principles (GAAP). Synonyms: net profit or net income line on a profit and loss account or income statement.
Climate Change Agreement	The UK Government has provided an 80% discount from the Climate Change Levy for sectors that agree challenging targets for improving their energy efficiency or reducing carbon emissions. Climate change agreements have now been concluded with almost all of the eligible sectors
Climate Change Levy	UK tax on electricity, coal and gas consumption by energy-intensive sectors.
Combined Code	Combined Code on Corporate Governance (2003): requires listed companies to report that there is a risk management programme in place, to review those controls annually and identify any shortcomings.
Companies House	The official UK government register of UK companies.
contingent liabilities	A contingent liability is either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or a present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.
Corporate Social Responsibility (CSR)	CSR is concerned with treating the stakeholders of a company ethically or in a socially responsible manner.
CSR	See Corporate Social Responsibility.
Defra	Department for Environment, Food and Rural Affairs
Defra Reporting Guidelines	Defra has produced a general set of guidelines which

	set out how to produce a good quality environmental report. In addition Defra has published separate guidelines on how to measure and report on the three key impacts common to all companies: greenhouse gas emissions, waste, and water use.
derivative securities	A financial security, such as an option, or future, whose value is derived in part from the value and characteristics of another security, the underlying order.
dual listing	A security that is listed on more than one stock exchange.
eco-system	Community of interdependent organisms and the environment they inhabit.
electronic word search	Computer-based search for specific search phrases in electronic documents, carried out in this study.
EMAS	Eco-Management and Audit Scheme
Emissions Trading Scheme	Market-based system that allows companies to meet emission goals by either reducing emissions or securing emission reductions from the marketplace.
Environment Agency	The leading public body for protecting and improving the environment in England and Wales.
environmental accounting	Traditional environmental accounting measures capital and operating costs related to the control or reduction of a company's environmental impacts. Full Cost or Triple Bottom Line accounting methods attempt to measure a company's external costs as well as its private costs.
environmental risk	a) Financial risk arising from environmental issues for a company, for example climate change risk or regulatory risk. b) Risk arising from a company's activities to the environment, for example through pollution.
environmental topic	Core area of environmental concern or core environmental impact or issue, defined prior to the electronic word search for this study.
EU Emissions Trading Scheme (EU ETS)	The EU ETS will come into force in 2005 in, affecting some 12,500 industrial installations. See Emissions Trading Scheme.
EU Modernisation Directive	States that where appropriate, Annual Reports should contain 'an analysis of environmental and social aspects necessary for an understanding of the company's development, performance or position' and that 'the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to particular business, including information relating to environmental and employee matters' (2003/51/EC L178/16)
EU Prospectus Directive	Requires 'a description of any environmental issues that may affect the issuer's utilisation of the tangible fixed assets'. The Directive will require EU Member

	States to implement its provisions through regulation at national level by July 1, 2005
external costs	When companies use environmental goods and services, any resulting reduction of quality or quantity of goods and services imposes a cost that is not borne by the company itself but by other users of those services, and that is known as external cost.
flag	A true/false identifier that indicates if data meets certain requirements or specifications. For example, a flag designating quantitative information is set to zero if the information is qualitative, and to one if the information is quantitative.
FSA	Financial Services Authority
FTSE 100	100 most highly capitalised blue chip companies, representing approximately 80% of the UK market.
FTSE 250	Mid-capitalised companies, not covered by the FTSE 100, representing approximately 18% of UK market capitalisation.
FTSE 350	FTSE 100 and FTSE 250 combined.
FTSE All Share	FTSE 100, FTSE 250 and FTSE Small Cap combined.
FTSE Small Cap	Companies with the smallest capitalisation of the capital and industry segments. Represents approximately 2% of the UK market capitalisation.
GRI guidelines	The GRI Sustainability Reporting Guidelines have been developed through a multi-stakeholder process and are emerging as the generally accepted sustainability reporting standard for companies.
intangible assets	A legal claim to some future benefit, typically a claim to future cash. Goodwill, intellectual property, patents, copyrights, and trademarks are examples of intangible assets.
IPC	Integrated Pollution Control
IPPC	Integrated Pollution Prevention and Control
ISO 14001	ISO 14001 is the internationally recognised (and certifiable) standard for Environmental Management Systems (EMS).
landfill tax	A tax that applies to active and inert waste, disposed at a licensed landfill. The aim of the tax is to encourage waste managers to switch to less environmentally damaging alternatives to disposal.
license to operate	The ability of a company to legitimately conduct its business and operations. The license to operate is generally given by the regulator, however, stakeholders and wider civil society can also be instrumental in withdrawing a company's license to operate.
listing requirements	See listing rules.
listing rules	The Financial Services Authority (FSA) is the authority

	responsible for producing listing rules, which contain the detail for gaining admission to the Official List and the continuing obligations of listed companies.
market capitalisation	Market capitalisation is used to indicate the value of a company by multiplying the number of shares in issue by the current share price.
materiality	Refers to information that is needed by shareholders for them to be able to make informed judgements, decisions and actions about an organisation's financial performance.
NO_x	Nitrous Oxide
OFR	See Operating and Financial Review (OFR) regulation.
Operating and Financial Review (OFR) regulation	The Operating and Financial Review (OFR) (applicable to all UK listed companies for financial years beginning in 2005) will require the directors to provide shareholders with an overview of the business, and should include environmental and employee matters. Company directors will carry personal liability and unlimited fines for non-compliance.
polluter pays principle	Concept that those who cause pollution or are likely to cause pollution should pay for its clean-up or prevention.
provision	A provision is a liability that is of uncertain timing or amount, to be settled by the transfer of economic benefits. Provisions can be distinguished from other liabilities such as trade creditors and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement.
questionnaire fatigue	Term used to describe companies' capacity overload with the high number of questionnaires sent to them by research organisations about their environmental and/or social performance.
record	An entry in the database of a search phrase encountered during the electronic word search used in this study.
relational database	Database that is organised as a set of tables from which data can be accessed or reassembled in many different ways without having to reorganise the tables.
resource intensity	The amount or quantity of natural resources consumed or used.
Sarbanes-Oxley Act	US legislation to ensure internal controls or rules to govern the creation and documentation of corporate information in financial statements. Establishes new standards for corporate accountability and penalties for corporate wrongdoing.
search phrase	Words or parts of words used in the electronic word search to detect references to key environmental topics.
shareholder value	The free cash flow is the amount of money that is left at the end of the business cycle of a company, after all

	creditors are paid within the appropriate period. This free cash flow is for the shareholders.
SO_2	Sulphur Dioxide
stakeholder	An individual, group of individuals (internal or external), or organization that affects or is affected by—or has an interest or concern in—a company's activities.
supplementary report	Any report that is published by a company in addition to their Annual Reports and Accounts, for example Sustainability or HSE Report.
sustainable development	Development which meets the needs of the present without compromising the ability of future generations to meet their own needs (Brundtland definition).
tangible assets	An asset whose value depends on particular physical properties. These include reproducible assets such as buildings or machinery and non-reproducible assets such as land, a mine, or a work of art.
triple bottom line	The concept of a 'triple bottom line' is widely used to describe sustainable development in an organisational context, setting out organisational performance in terms of three bottom lines – social, economic and environmental.
UK Emissions Trading Scheme	The UK emissions trading scheme is voluntary and began in March 2002. It has 31 participants. See also Emissions Trading Scheme

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Appendix A: Universe of companies

Company Name	Index	Fiscal Year End	FTSE Economic Group	FTSE Sector
3i Group	FTSE 100	31-Mar-03	Financials	Investment Companies
Mucklow (A.& J.)Group	FTSE Small Cap	30-Jun-03	Financials	Real Estate
Barr (A.G.)	FTSE Small Cap	25-Jan-03	Non-Cyclical Consumer Goods	Beverages
Abacus Group	FTSE Small Cap	30-Sep-02	General Industries	Electronic & Electrical Equipment
Abbey National	FTSE 100	31-Dec-02	Financials	Banks
Abbot Group	FTSE 250	31-Dec-02	Resources	Oil & Gas
Aberdeen Asset Management	FTSE Small Cap	30-Sep-02	Financials	Speciality & Other Finance
Acal	FTSE Small Cap	31-Mar-03	Cyclical Services	Support Services
Acambis	FTSE 250	31-Dec-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
AEA Technology	FTSE Small Cap	31-Mar-03	Cyclical Services	Support Services
Aegis Group	FTSE 250	31-Dec-02	Cyclical Services	Media & Entertainment
Aga Foodservice Group	FTSE 250	31-Dec-02	General Industries	Engineering & Machinery
Aggregate Industries	FTSE 250	31-Dec-02	Basic Industries	Construction & Building Materials
Aggreko	FTSE 250	31-Dec-02	Cyclical Services	Support Services
Alba	FTSE 250	31-Mar-03	Cyclical Consumer Goods	Household Goods & Textiles
Alexon Group	FTSE Small Cap	25-Jan-03	Cyclical Services	General Retailers
McAlpine (Alfred)	FTSE 250	31-Dec-02	Basic Industries	Construction & Building Materials
Alizyme	FTSE Small Cap	31-Dec-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
Alliance & Leicester	FTSE 100	31-Dec-02	Financials	Banks
Alliance UniChem	FTSE 100	31-Dec-02	Non-Cyclical Consumer Goods	Health
Allied Domecq	FTSE 100	31-Aug-03	Non-Cyclical Consumer Goods	Beverages
Alpha Airports Group	FTSE Small Cap	31-Jan-03	Cyclical Services	Transport
Alphameric	FTSE Small Cap	30-Nov-02	Information Technology	Software & Computer Services
Alvis	FTSE Small Cap	31-Dec-02	General Industries	Aerospace & Defence
Amec	FTSE 250	31-Dec-02	Basic Industries	Construction & Building Materials
Amersham	FTSE 100	31-Dec-02	Non-Cyclical Consumer Goods	Health
Amlin	FTSE 250	31-Dec-02	Financials	Insurance
Amstrad	FTSE Small Cap	30-Jun-03	Cyclical Consumer Goods	Household Goods & Textiles
Amvescap	FTSE 100	31-Dec-02	Financials	Speciality & Other Finance
Anglo American	FTSE 100	31-Dec-02	Resources	Mining
Anite Group	FTSE Small Cap	30-Apr-03	Information Technology	Software & Computer Services
Antisoma	FTSE Small Cap	30-Jun-03	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
Antofagasta	FTSE 250	31-Dec-02	Resources	Mining
Aquarius Platinum	FTSE Small Cap	30-Jun-03	Resources	Mining
ARC International	FTSE Small Cap	31-Dec-02	Information Technology	Information Technology Hardware

Company Name	Index	Fiscal Year End	FTSE Economic Group	FTSE_Sector
Arena Leisure	FTSE Small Cap	31-Dec-02	Cyclical Services	Leisure & Hotels
Arla Foods UK	FTSE Small Cap	31-Mar-02	Non-Cyclical Consumer Goods	Food Producers & Processors
ARM Holdings	FTSE 250	31-Dec-02	Information Technology	Information Technology Hardware
Arriva	FTSE 250	31-Dec-02	Cyclical Services	Transport
Ashtead Group	FTSE Small Cap	30-Apr-03	Cyclical Services	Support Services
Ashtenne Holdings	FTSE Small Cap	31-Dec-02	Financials	Real Estate
Associated British Foods	FTSE 100	13-Sep-03	Non-Cyclical Consumer Goods	Food Producers & Processors
Associated British Ports Hldgs	FTSE 250	31-Dec-02	Cyclical Services	Transport
AstraZeneca	FTSE 100	31-Dec-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
Atrium Underwriting	FTSE Small Cap	31-Dec-02	Financials	Insurance
Autologic Holdings	FTSE Small Cap	31-Dec-02	Cyclical Services	Transport
Autonomy Corporation	FTSE 250	31-Dec-02	Information Technology	Software & Computer Services
Aveva Group	FTSE Small Cap	31-Mar-03	Information Technology	Software & Computer Services
Avis Europe	FTSE 250	31-Dec-02	Cyclical Services	Transport
Aviva	FTSE 100	31-Dec-02	Financials	Life Assurance
AWG	FTSE 250	31-Mar-03	Utilities	Utilities, Other
Axis-Shield	FTSE Small Cap	31-Dec-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
BAA	FTSE 100	31-Mar-03	Cyclical Services	Transport
Babcock International Group	FTSE Small Cap	31-Mar-03	Cyclical Services	Support Services
BAE Systems	FTSE 100	31-Dec-02	General Industries	Aerospace & Defence
Balfour Beatty	FTSE 250	31-Dec-02	Basic Industries	Construction & Building Materials
Barclays	FTSE 100	31-Dec-02	Financials	Banks
Barratt Developments	FTSE 250	30-Jun-03	Basic Industries	Construction & Building Materials
BATM Advanced Comm.	FTSE Small Cap	31-Dec-02	Information Technology	Information Technology Hardware
BBA Group	FTSE 250	31-Dec-02	Cyclical Services	Transport
Beazley Group	FTSE Small Cap	31-Dec-02	Financials	Insurance
Belhaven Group	FTSE Small Cap	30-Mar-03	Cyclical Services	Leisure & Hotels
Bell Group	FTSE Small Cap	31-Dec-02	Cyclical Services	Support Services
Bellway	FTSE 250	31-Jul-02	Basic Industries	Construction & Building Materials
Benchmark Group	FTSE Small Cap	30-Jun-03	Financials	Real Estate
Benfield Group	FTSE Small Cap	31-Dec-02	Financials	Insurance
Berkeley Group	FTSE 250	30-Apr-03	Basic Industries	Construction & Building Materials
Bespak	FTSE Small Cap	3-May-03	Non-Cyclical Consumer Goods	Health
BG Group	FTSE 100	31-Dec-02	Resources	Oil & Gas
BHP Billiton	FTSE 100	30-Jun-03	Resources	Mining
Big Food Group	FTSE 250	28-Mar-03	Non-Cyclical Services	Food & Drug Retailers
Big Yellow Group	FTSE Small Cap	31-Mar-03	Cyclical Services	Support Services
Biocompatibles International	FTSE Small Cap	31-Dec-02	Non-Cyclical Consumer Goods	Health
Blacks Leisure Group	FTSE Small Cap	28-Feb-03	Cyclical Services	General Retailers

Company Name	Index	Fiscal Year End	FTSE Economic Group	FTSE_Sector
Blick	FTSE Small Cap	30-Sep-02	Cyclical Services	Support Services
Bloomsbury Publishing	FTSE Small Cap	31-Dec-02	Cyclical Services	Media & Entertainment
BOC Group	FTSE 100	30-Sep-02	Basic Industries	Chemicals
Body Shop International	FTSE Small Cap	1-Mar-03	Cyclical Services	General Retailers
Bodycote International	FTSE 250	31-Dec-02	General Industries	Engineering & Machinery
Bookham Technology	FTSE Small Cap	31-Dec-02	Information Technology	Information Technology Hardware
Boots Group	FTSE 100	31-Mar-03	Cyclical Services	General Retailers
Bovis Homes Group	FTSE 250	31-Dec-02	Basic Industries	Construction & Building Materials
BP	FTSE 100	31-Dec-02	Resources	Oil & Gas
BPB	FTSE 250	31-Mar-03	Basic Industries	Construction & Building Materials
BPP Holdings	FTSE Small Cap	31-Dec-02	Cyclical Services	Support Services
Bradford & Bingley	FTSE 100	31-Dec-02	Financials	Banks
Brambles Industries	FTSE 250	30-Jun-03	Cyclical Services	Support Services
Brammer (H)	FTSE Small Cap	31-Dec-02	Cyclical Services	Support Services
Brewin Dolphin Holdings	FTSE Small Cap	26-Sep-02	Financials	Speciality & Other Finance
Bristol Water Group	FTSE Small Cap	31-Mar-03	Utilities	Utilities, Other
Brit Insurance Holdings	FTSE 250	31-Dec-02	Financials	Insurance
Britannic Group	FTSE 250	31-Dec-02	Financials	Life Assurance
British Airways	FTSE 100	31-Mar-03	Cyclical Services	Transport
British American Tobacco	FTSE 100	31-Dec-02	Non-Cyclical Consumer Goods	Tobacco
British Energy	FTSE Small Cap	31-Mar-03	Utilities	Electricity
British Land Co	FTSE 100	31-Mar-03	Financials	Real Estate
British Polythene Industries	FTSE Small Cap	31-Dec-02	Cyclical Services	Support Services
British Sky Broadcasting Group	FTSE 100	30-Jun-03	Cyclical Services	Media & Entertainment
British Vita	FTSE 250	31-Dec-02	Basic Industries	Chemicals
Brixton	FTSE 250	31-Dec-02	Financials	Real Estate
Brown & Jackson	FTSE Small Cap	22-Feb-03	Cyclical Services	General Retailers
BSS Group	FTSE Small Cap	31-Mar-03	Basic Industries	Construction & Building Materials
BT Group	FTSE 100	31-Mar-03	Non-Cyclical Services	Telecommunication Services
BTG	FTSE 250	31-Mar-03	Cyclical Services	Support Services
Bunzl	FTSE 100	31-Dec-02	Cyclical Services	Support Services
Burberry Group	FTSE 250	31-Mar-03	Cyclical Services	General Retailers
Burtonwood Brewery	FTSE Small Cap	29-Mar-03	Cyclical Services	Leisure & Hotels
Business Post Group	FTSE Small Cap	31-Mar-03	Cyclical Services	Support Services
BWD Securities	FTSE Small Cap	30-Nov-02	Financials	Speciality & Other Finance
C D Bramall	FTSE Small Cap	31-Dec-02	Cyclical Consumer Goods	Automobiles & Parts
Cable & Wireless	FTSE 100	31-Mar-03	Non-Cyclical Services	Telecommunication Services
Cadbury Schweppes	FTSE 100	28-Dec-02	Non-Cyclical Consumer Goods	Food Producers & Processors
Cairn Energy	FTSE 250	31-Dec-02	Resources	Oil & Gas
Cambridge Antibody Tech Group	FTSE Small Cap	30-Sep-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
Canary Wharf Group	FTSE 250	30-Jun-03	Financials	Real Estate
Capita Group	FTSE 250	31-Dec-02	Cyclical Services	Support Services
Capital & Regional	FTSE Small Cap	31-Dec-02	Financials	Real Estate

Company Name	Index	Fiscal Year End	FTSE Economic Group	FTSE_Sector
Capital Radio	FTSE 250	30-Sep-02	Cyclical Services	Media & Entertainment
Care UK	FTSE Small Cap	30-Sep-02	Non-Cyclical Consumer Goods	Health
Carillion	FTSE 250	31-Dec-02	Basic Industries	Construction & Building Materials
Carlton Communications	FTSE 250	31-Dec-02	Cyclical Services	Media & Entertainment
Carnival	FTSE 100	30-Nov-02	Cyclical Services	Leisure & Hotels
Carpetright	FTSE 250	3-May-03	Cyclical Services	General Retailers
Carphone Warehouse Group	FTSE 250	29-Mar-03	Cyclical Services	General Retailers
Castings	FTSE Small Cap	31-Mar-03	General Industries	Engineering & Machinery
Cattles	FTSE 250	31-Dec-02	Financials	Speciality & Other Finance
Celltech Group	FTSE 250	31-Dec-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
Centrica	FTSE 100	31-Dec-02	Utilities	Utilities, Other
Charles Taylor Consulting	FTSE Small Cap	31-Dec-02	Financials	Speciality & Other Finance
Charter	FTSE Small Cap	31-Dec-02	General Industries	Engineering & Machinery
Chelsfield	FTSE 250	31-Dec-02	Financials	Real Estate
Chemring Group	FTSE Small Cap	31-Oct-02	General Industries	Aerospace & Defence
Chloride Group	FTSE Small Cap	31-Mar-03	General Industries	Electronic & Electrical Equipment
Salvesen (Christian)	FTSE Small Cap	31-Mar-03	Cyclical Services	Transport
Chrysalis Group	FTSE 250	31-Aug-02	Cyclical Services	Media & Entertainment
City Centre Restaurants	FTSE Small Cap	31-Dec-02	Cyclical Services	Leisure & Hotels
Clinton Cards	FTSE Small Cap	2-Feb-03	Cyclical Services	General Retailers
Close Brothers Group	FTSE 250	31-Jul-03	Financials	Speciality & Other Finance
CLS Holdings	FTSE Small Cap	31-Dec-02	Financials	Real Estate
Cobham	FTSE 250	31-Dec-02	General Industries	Aerospace & Defence
Collins Stewart Tullett	FTSE 250	31-Dec-02	Financials	Speciality & Other Finance
Colt Telecom Group	FTSE 250	31-Dec-02	Non-Cyclical Services	Telecommunication Services
Communisis	FTSE Small Cap	31-Dec-02	Cyclical Services	Support Services
Compass Group	FTSE 100	30-Sep-02	Cyclical Services	Support Services
Computacenter	FTSE 250	31-Dec-02	Information Technology	Software & Computer Services
Cookson Group	FTSE 250	31-Dec-02	General Industries	Engineering & Machinery
Corin Group	FTSE Small Cap	31-Dec-02	Non-Cyclical Consumer Goods	Health
Corporate Services Group	FTSE Small Cap	31-Dec-02	Cyclical Services	Support Services
Corus Group	FTSE 250	3-Jan-02	Basic Industries	Steel & Other Metals
Costain Group	FTSE Small Cap	31-Dec-02	Basic Industries	Construction & Building Materials
Countryside Properties	FTSE Small Cap	30-Sep-02	Basic Industries	Construction & Building Materials
Countrywide Assured Group	FTSE 250	31-Dec-02	Financials	Speciality & Other Finance
Courts	FTSE Small Cap	31-Mar-03	Cyclical Services	General Retailers
Cox Insurance Holdings	FTSE Small Cap	31-Dec-02	Financials	Insurance
Cranswick	FTSE Small Cap	31-Mar-03	Non-Cyclical Consumer Goods	Food Producers & Processors
Crest Nicholson	FTSE 250	31-Oct-02	Basic Industries	Construction & Building Materials
Croda International	FTSE 250	31-Dec-02	Basic Industries	Chemicals
Daily Mail & General Trust (A Shs)	FTSE 100	28-Sep-02	Cyclical Services	Media & Entertainment

Company Name	Index	Fiscal Year End	FTSE Economic Group	FTSE_Sector
Dairy Crest Group	FTSE 250	31-Mar-03	Non-Cyclical Consumer Goods	Food Producers & Processors
Dana Petroleum	FTSE Small Cap	31-Dec-02	Resources	Oil & Gas
Danka Business Systems	FTSE Small Cap	31-Mar-02	Cyclical Services	Support Services
Dart Group	FTSE Small Cap	31-Mar-03	Cyclical Services	Transport
Davis Service Group	FTSE 250	31-Dec-02	Cyclical Services	Support Services
Dawson Holdings	FTSE Small Cap	27-Sep-03	Cyclical Services	Support Services
De La Rue	FTSE 250	29-Mar-03	Cyclical Services	Support Services
De Vere Group	FTSE 250	28-Sep-02	Cyclical Services	Leisure & Hotels
Debenhams	FTSE 250	30-Aug-02	Cyclical Services	General Retailers
Dechra Pharmaceuticals	FTSE Small Cap	30-Jun-03	Non-Cyclical Consumer Goods	Health
Delta	FTSE Small Cap	3-Jan-02	Basic Industries	Chemicals
Derwent Valley Hldgs	FTSE 250	31-Dec-02	Financials	Real Estate
Detica Group	FTSE Small Cap	31-Mar-03	Information Technology	Software & Computer Services
Development Securities	FTSE Small Cap	31-Dec-02	Financials	Real Estate
Devro	FTSE Small Cap	31-Dec-02	Non-Cyclical Consumer Goods	Food Producers & Processors
DFS Furniture Co	FTSE 250	2-Aug-03	Cyclical Services	General Retailers
Diageo	FTSE 100	30-Jun-03	Non-Cyclical Consumer Goods	Beverages
Diagonal	FTSE Small Cap	28-Nov-02	Information Technology	Software & Computer Services
Dicom Group	FTSE Small Cap	30-Jun-03	Information Technology	Software & Computer Services
Dimension Data Holdings	FTSE 250	30-Sep-03	Information Technology	Software & Computer Services
Diploma	FTSE Small Cap	30-Sep-03	Cyclical Services	Support Services
Dixons Group	FTSE 100	3-May-03	Cyclical Services	General Retailers
Domestic & General Group	FTSE Small Cap	30-Jun-03	Financials	Insurance
Domino Printing Sciences	FTSE Small Cap	31-Oct-02	General Industries	Electronic & Electrical Equipment
Smith (DS)	FTSE 250	30-Apr-03	Basic Industries	Forestry & Paper
DTZ Holdings	FTSE Small Cap	30-Apr-03	Financials	Real Estate
Dyson Group	FTSE Small Cap	31-Mar-03	Basic Industries	Chemicals
Easyjet	FTSE 250	30-Sep-02	Cyclical Services	Transport
Easynet Group	FTSE Small Cap	31-Dec-02	Non-Cyclical Services	Telecommunication Services
Ebookers	FTSE 250	31-Dec-02	Cyclical Services	General Retailers
Egg	FTSE 250	31-Dec-02	Financials	Banks
Eidos	FTSE Small Cap	30-Jun-03	Information Technology	Software & Computer Services
Electrocomponents	FTSE 250	31-Mar-03	Cyclical Services	Support Services
Elementis	FTSE Small Cap	31-Dec-02	Basic Industries	Chemicals
Emap	FTSE 100	31-Mar-03	Cyclical Services	Media & Entertainment
Emblaze Systems	FTSE Small Cap	31-Dec-02	Information Technology	Software & Computer Services
EMI Group	FTSE 250	31-Mar-03	Cyclical Services	Media & Entertainment
Ennstone	FTSE Small Cap	31-Dec-02	Basic Industries	Construction & Building Materials
Enodis	FTSE Small Cap	27-Sep-02	General Industries	Engineering & Machinery
Enterprise Inns	FTSE 250	30-Sep-03	Cyclical Services	Leisure & Hotels

Company Name	Index	Fiscal Year End	FTSE Economic Group	FTSE_Sector
Euromoney Institutional Investors	FTSE 250	30-Sep-02	Cyclical Services	Media & Entertainment
European Motor Hldgs	FTSE Small Cap	28-Feb-03	Cyclical Consumer Goods	Automobiles & Parts
Eurotunnel/Eurotunnel SA	FTSE 250	31-Dec-02	Cyclical Services	Transport
Evolution Group	FTSE Small Cap	31-Dec-02	Financials	Speciality & Other Finance
Exel	FTSE 100	31-Dec-02	Cyclical Services	Transport
Expro International Group	FTSE Small Cap	31-Mar-03	Resources	Oil & Gas
Fenner	FTSE Small Cap	31-Aug-03	General Industries	Engineering & Machinery
Filtronic	FTSE Small Cap	31-May-03	Information Technology	Information Technology Hardware
Findel	FTSE Small Cap	31-Mar-03	Cyclical Services	General Retailers
First Choice Holidays	FTSE 250	31-Oct-02	Cyclical Services	Leisure & Hotels
First Technology	FTSE Small Cap	30-Apr-03	General Industries	Electronic & Electrical Equipment
FirstGroup	FTSE 250	31-Mar-03	Cyclical Services	Transport
FKI	FTSE 250	31-Mar-03	General Industries	Engineering & Machinery
Forth Ports	FTSE 250	31-Dec-02	Cyclical Services	Transport
Freeport	FTSE Small Cap	30-Jun-03	Financials	Real Estate
French Connection Group	FTSE 250	31-Jan-03	Cyclical Services	General Retailers
Friends Provident	FTSE 100	31-Dec-02	Financials	Life Assurance
Fuller, Smith & Turner	FTSE Small Cap	29-Mar-03	Cyclical Services	Leisure & Hotels
Future Network	FTSE Small Cap	31-Dec-02	Cyclical Services	Media & Entertainment
Galen Holdings	FTSE 250	30-Sep-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
Gallaher Group	FTSE 100	31-Dec-02	Non-Cyclical Consumer Goods	Tobacco
Galliford Try	FTSE Small Cap	30-Jun-03	Basic Industries	Construction & Building Materials
Game Group	FTSE Small Cap	31-Jan-03	Cyclical Services	General Retailers
Games Workshop Group	FTSE Small Cap	1-Jun-03	Cyclical Consumer Goods	Household Goods & Textiles
Geest	FTSE 250	3-Jan-02	Non-Cyclical Consumer Goods	Food Producers & Processors
Genemedix	FTSE Small Cap	30-Nov-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
Wimpey(George)	FTSE 250	31-Dec-02	Basic Industries	Construction & Building Materials
GKN	FTSE 100	31-Dec-02	Cyclical Consumer Goods	Automobiles & Parts
GlaxoSmithKline	FTSE 100	31-Dec-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
Go-Ahead Group	FTSE 250	28-Jun-03	Cyclical Services	Transport
Goldshield Group	FTSE Small Cap	31-Mar-03	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
Goshawk Insurance Holdings	FTSE Small Cap	31-Dec-02	Financials	Insurance
Granada	FTSE 100	31-Dec-02	Cyclical Services	Media & Entertainment
Great Portland Estates	FTSE 250	31-Mar-03	Financials	Real Estate
Greene King	FTSE 250	4-May-03	Cyclical Services	Leisure & Hotels
Greggs	FTSE 250	27-Dec-02	Non-Cyclical Services	Food & Drug Retailers
Gresham Computing	FTSE Small Cap	31-Dec-02	Information Technology	Software & Computer Services
GUS	FTSE 100	31-Mar-03	Cyclical Services	General Retailers
GWR Group	FTSE 250	31-Mar-03	Cyclical Services	Media & Entertainment

Company Name	Index	Fiscal Year End	FTSE Economic Group	FTSE_Sector
Gyrus Group	FTSE Small Cap	31-Dec-02	Non-Cyclical Consumer Goods	Health
Halma	FTSE 250	29-Mar-03	General Industries	Engineering & Machinery
Hammerson	FTSE 250	31-Dec-02	Financials	Real Estate
Hanson	FTSE 100	31-Dec-02	Basic Industries	Construction & Building Materials
Hardy Underwriting Group	FTSE Small Cap	31-Dec-02	Financials	Insurance
Hays	FTSE 100	30-Jun-03	Cyclical Services	Support Services
HBOS	FTSE 100	31-Dec-02	Financials	Banks
Headlam Group	FTSE 250	31-Dec-02	Cyclical Consumer Goods	Household Goods & Textiles
Helical Bar	FTSE Small Cap	31-Mar-03	Financials	Real Estate
Helphire Group	FTSE Small Cap	31-Mar-03	Financials	Speciality & Other Finance
Henlys Group	FTSE Small Cap	30-Sep-02	General Industries	Engineering & Machinery
Heywood Williams Group	FTSE Small Cap	31-Dec-02	Basic Industries	Construction & Building Materials
Highbury House Communications	FTSE Small Cap	31-Dec-02	Cyclical Services	Media & Entertainment
Highway Insurance Holdings	FTSE Small Cap	31-Dec-02	Financials	Insurance
Hilton Group	FTSE 100	31-Dec-02	Cyclical Services	Leisure & Hotels
Hiscox	FTSE 250	31-Dec-02	Financials	Insurance
HIT Entertainment	FTSE 250	31-Jul-03	Cyclical Services	Media & Entertainment
Hitachi Capital (UK)	FTSE Small Cap	31-Mar-03	Financials	Speciality & Other Finance
HMV Group	FTSE 250	26-Apr-03	Cyclical Services	General Retailers
Holidaybreak	FTSE 250	30-Sep-02	Cyclical Services	Leisure & Hotels
Homestyle Group	FTSE Small Cap	26-Apr-03	Cyclical Services	General Retailers
House of Fraser	FTSE Small Cap	25-Jan-03	Cyclical Services	General Retailers
HSBC Hldgs	FTSE 100	31-Dec-02	Financials	Banks
Hunting	FTSE Small Cap	31-Dec-02	Resources	Oil & Gas
Huntleigh Technology	FTSE Small Cap	31-Dec-02	Non-Cyclical Consumer Goods	Health
ICAP	FTSE 250	31-Mar-03	Financials	Speciality & Other Finance
Imagination Technologies Group	FTSE Small Cap	31-Mar-03	Information Technology	Information Technology Hardware
IMI	FTSE 250	31-Dec-02	General Industries	Engineering & Machinery
Imperial Chemical Industries	FTSE 100	31-Dec-02	Basic Industries	Chemicals
Imperial Tobacco Group	FTSE 100	30-Sep-02	Non-Cyclical Consumer Goods	Tobacco
Incepta Group	FTSE Small Cap	28-Feb-03	Cyclical Services	Media & Entertainment
Inchcape	FTSE 250	31-Dec-02	Cyclical Consumer Goods	Automobiles & Parts
Incisive Media	FTSE Small Cap	31-Dec-02	Cyclical Services	Media & Entertainment
Informa Group	FTSE 250	31-Dec-02	Cyclical Services	Media & Entertainment
Intec Telecom Systems	FTSE Small Cap	30-Sep-02	Information Technology	Software & Computer Services
Intercare Group	FTSE Small Cap	31-Dec-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
InterContinental Hotels Group	FTSE 100	31-Dec-02	Cyclical Services	Leisure & Hotels
Intermediate Capital Group	FTSE 250	31-Jan-03	Financials	Speciality & Other Finance
International Energy Group	FTSE Small Cap	31-Dec-02	Utilities	Utilities, Other
International Power	FTSE 250	31-Dec-02	Utilities	Electricity
Interserve	FTSE 250	31-Dec-02	Cyclical Services	Support Services
Intertek Group	FTSE 250	31-Dec-02	Cyclical Services	Support Services

Company Name	Index	Fiscal Year End	FTSE Economic Group	FTSE_Sector
Invensys	FTSE 250	31-Mar-03	General Industries	Electronic & Electrical Equipment
Investec	FTSE 250	31-Mar-03	Financials	Speciality & Other Finance
ISIS Asset Management	FTSE 250	31-Dec-02	Financials	Speciality & Other Finance
iSOFT Group	FTSE 250	30-Apr-03	Information Technology	Software & Computer Services
Isotron	FTSE Small Cap	30-Jun-03	Non-Cyclical Consumer Goods	Health
ITE Group	FTSE Small Cap	30-Sep-02	Cyclical Services	Media & Entertainment
Itnet	FTSE Small Cap	31-Dec-02	Information Technology	Software & Computer Services
Sainsbury (J)	FTSE 100	29-Mar-03	Non-Cyclical Services	Food & Drug Retailers
Beattie (James)	FTSE Small Cap	31-Jan-03	Cyclical Services	General Retailers
Fisher (James) & Sons	FTSE Small Cap	31-Dec-02	Cyclical Services	Transport
Jardine Lloyd Thompson Group	FTSE 250	31-Dec-02	Financials	Insurance
Jarvis	FTSE 250	31-Mar-03	Cyclical Services	Support Services
Jarvis Hotels	FTSE Small Cap	29-Mar-03	Cyclical Services	Leisure & Hotels
JJB Sports	FTSE 250	31-Jan-03	Cyclical Services	General Retailers
John David Group (The)	FTSE Small Cap	31-Jan-03	Cyclical Services	General Retailers
Laing (John)	FTSE 250	31-Dec-02	Cyclical Services	Support Services
Menzies (John)	FTSE Small Cap	27-Dec-02	Cyclical Services	Support Services
Wood Group (John)	FTSE 250	31-Dec-02	Resources	Oil & Gas
Johnson Matthey	FTSE 100	31-Mar-03	Basic Industries	Chemicals
Johnson Service Group	FTSE Small Cap	27-Dec-02	Cyclical Services	Support Services
Johnston Press	FTSE 250	31-Dec-02	Cyclical Services	Media & Entertainment
Kelda Group	FTSE 250	31-Mar-03	Utilities	Utilities, Other
Keller	FTSE Small Cap	31-Dec-02	Basic Industries	Construction & Building Materials
Kensington Group	FTSE Small Cap	30-Nov-02	Financials	Speciality & Other Finance
Kesa Electricals	FTSE 250	1-Feb-03	Cyclical Services	General Retailers
Kidde	FTSE 250	31-Dec-02	General Industries	Engineering & Machinery
Kier Group	FTSE Small Cap	30-Jun-03	Basic Industries	Construction & Building Materials
Kiln	FTSE Small Cap	31-Dec-02	Financials	Insurance
Kingfisher	FTSE 100	1-Feb-03	Cyclical Services	General Retailers
Kingston Comms	FTSE Small Cap	31-Mar-03	Non-Cyclical Services	Telecommunication Services
LA Fitness	FTSE Small Cap	31-Jul-03	Cyclical Services	Leisure & Hotels
Laird Group	FTSE 250	31-Dec-02	General Industries	Electronic & Electrical Equipment
Land Securities Group	FTSE 100	31-Mar-03	Financials	Real Estate
Lastminute.Com	FTSE 250	30-Sep-02	Cyclical Services	General Retailers
Ashley (Laura) Holdings	FTSE Small Cap	25-Jan-03	Cyclical Services	General Retailers
Lavendon Group	FTSE Small Cap	31-Dec-02	Cyclical Services	Support Services
Legal & General Group	FTSE 100	31-Dec-02	Financials	Life Assurance
Liberty International	FTSE 100	31-Dec-02	Financials	Real Estate
Liontrust Asset Management	FTSE Small Cap	31-Mar-03	Financials	Speciality & Other Finance
Lloyds TSB Group	FTSE 100	31-Dec-02	Financials	Banks
LogicaCMG	FTSE 250	31-Dec-02	Information Technology	Software & Computer Services

Company Name	Index	Fiscal Year End	FTSE Economic Group	FTSE_Sector
London Bridge Software Holdings	FTSE Small Cap	31-Dec-02	Information Technology	Software & Computer Services
London Merchant Secrities	FTSE 250	31-Mar-03	Financials	Real Estate
London Scottish Bank	FTSE Small Cap	31-Oct-02	Financials	Speciality & Other Finance
London Stock Exchange	FTSE 250	31-Mar-03	Financials	Speciality & Other Finance
Lonmin	FTSE 250	30-Sep-03	Resources	Mining
Lookers	FTSE Small Cap	31-Dec-02	Cyclical Consumer Goods	Automobiles & Parts
Low & Bonar	FTSE Small Cap	30-Nov-02	Basic Industries	Construction & Building Materials
Luminar	FTSE 250	2-Mar-03	Cyclical Services	Leisure & Hotels
Gleeson (M J) Group	FTSE Small Cap	30-Jun-03	Basic Industries	Construction & Building Materials
Macfarlane Group	FTSE Small Cap	31-Dec-02	Cyclical Services	Support Services
Maiden Group	FTSE Small Cap	31-Dec-02	Cyclical Services	Media & Entertainment
Malcolm Group (The)	FTSE Small Cap	31-Jan-03	Cyclical Services	Transport
Man Group	FTSE 100	31-Mar-03	Financials	Speciality & Other Finance
Management Consulting Group	FTSE Small Cap	31-Dec-02	Cyclical Services	Support Services
Manchester United	FTSE 250	31-Jul-03	Cyclical Services	Leisure & Hotels
Marconi Corporation	FTSE 250	31-Mar-03	Information Technology	Information Technology Hardware
Marks & Spencer Group	FTSE 100	29-Mar-03	Cyclical Services	General Retailers
Marlborough Stirling PLC	FTSE Small Cap	31-Dec-02	Information Technology	Software & Computer Services
Marshalls	FTSE 250	31-Dec-02	Basic Industries	Construction & Building Materials
Marylebone Warwick Balfour Group	FTSE Small Cap	30-Jun-03	Financials	Real Estate
Matalan	FTSE 250	1-Mar-03	Cyclical Services	General Retailers
Mayflower Corporation	FTSE Small Cap	31-Dec-02	Cyclical Consumer Goods	Automobiles & Parts
McBride	FTSE Small Cap	30-Jun-03	Non-Cyclical Consumer Goods	Personal Care & Household Products
McCarthy & Stone	FTSE 250	31-Aug-03	Basic Industries	Construction & Building Materials
Meggitt	FTSE 250	31-Dec-02	General Industries	Aerospace & Defence
Mentmore	FTSE Small Cap	30-Apr-03	Cyclical Services	Support Services
Merant	FTSE Small Cap	30-Apr-03	Information Technology	Software & Computer Services
Merchant Retail Group	FTSE Small Cap	29-Mar-03	Cyclical Services	General Retailers
Mersey Docks & Harbour Co	FTSE 250	31-Dec-02	Cyclical Services	Transport
Metal Bulletin	FTSE Small Cap	31-Dec-02	Cyclical Services	Media & Entertainment
Metalrax Group	FTSE Small Cap	31-Dec-02	General Industries	Engineering & Machinery
MFI Furniture Group	FTSE 250	27-Dec-02	Cyclical Services	General Retailers
Mice Group	FTSE Small Cap	28-Feb-03	Cyclical Services	Support Services
Michael Page International	FTSE 250	31-Dec-02	Cyclical Services	Support Services
Millennium & Copthorne Hotels	FTSE 250	31-Dec-02	Cyclical Services	Leisure & Hotels
Minerva	FTSE 250	30-Jun-03	Financials	Real Estate
Minorplanet Systems	FTSE Small Cap	31-Aug-03	General Industries	Electronic & Electrical Equipment
Misys	FTSE 250	31-May-03	Information Technology	Software & Computer Services

Company Name	Index	Fiscal Year End	FTSE Economic Group	FTSE_Sector
Mitchells & Butlers	FTSE 250	#N/A	Cyclical Services	Leisure & Hotels
MITIE Group	FTSE 250	31-Mar-03	Cyclical Services	Support Services
mmO2	FTSE 100	31-Mar-03	Non-Cyclical Services	Telecommunication Services
Molins	FTSE Small Cap	31-Dec-02	General Industries	Engineering & Machinery
Monsoon	FTSE Small Cap	31-May-03	Cyclical Services	General Retailers
Morgan Crucible Co	FTSE 250	4-Jan-02	General Industries	Engineering & Machinery
Morgan Sindall	FTSE Small Cap	31-Dec-02	Basic Industries	Construction & Building Materials
Morse	FTSE Small Cap	30-Jun-03	Information Technology	Software & Computer Services
Mothercare	FTSE Small Cap	29-Mar-03	Cyclical Services	General Retailers
Mowlem	FTSE Small Cap	31-Dec-02	Basic Industries	Construction & Building Materials
MyTravel Group	FTSE Small Cap	30-Sep-02	Cyclical Services	Leisure & Hotels
Brown (N.) Group	FTSE 250	1-Mar-03	Cyclical Services	General Retailers
National Express Group	FTSE 250	31-Dec-02	Cyclical Services	Transport
National Grid Transco	FTSE 100	31-Mar-03	Utilities	Utilities, Other
nCipher	FTSE Small Cap	31-Dec-02	Information Technology	Software & Computer Services
Nestor Healthcare Group	FTSE Small Cap	31-Dec-02	Non-Cyclical Consumer Goods	Health
New Look Group	FTSE 250	29-Mar-03	Cyclical Services	General Retailers
Next	FTSE 100	1-Feb-03	Cyclical Services	General Retailers
NHP	FTSE 250	30-Sep-02	Financials	Real Estate
Northern Foods	FTSE 250	31-Mar-03	Non-Cyclical Consumer Goods	Food Producers & Processors
Northern Rock	FTSE 100	31-Dec-02	Financials	Banks
Northgate Information Solutions	FTSE Small Cap	30-Apr-03	Information Technology	Software & Computer Services
Northgate	FTSE 250	30-Apr-03	Cyclical Services	Transport
Novar	FTSE 250	31-Dec-02	Basic Industries	Construction & Building Materials
NXT	FTSE Small Cap	30-Jun-03	General Industries	Electronic & Electrical Equipment
Old Mutual	FTSE 100	31-Dec-02	Financials	Life Assurance
Oxford Instruments	FTSE Small Cap	31-Mar-03	General Industries	Electronic & Electrical Equipment
Pace Micro Technology	FTSE Small Cap	31-May-03	Cyclical Consumer Goods	Household Goods & Textiles
Paladin Resources	FTSE 250	31-Dec-02	Resources	Oil & Gas
Paragon Group of Companies	FTSE 250	30-Sep-02	Financials	Speciality & Other Finance
Peacock Group	FTSE Small Cap	31-Mar-03	Cyclical Services	General Retailers
Pearson	FTSE 100	31-Dec-02	Cyclical Services	Media & Entertainment
Pendragon	FTSE Small Cap	31-Dec-02	Cyclical Consumer Goods	Automobiles & Parts
Peninsular & Oriental Steam Nav Co	FTSE 250	31-Dec-02	Cyclical Services	Transport
Pennon Group	FTSE 250	31-Mar-03	Utilities	Utilities, Other
Persimmon	FTSE 250	31-Dec-02	Basic Industries	Construction & Building Materials
Peterhouse Group	FTSE Small Cap	31-Dec-03	Cyclical Services	Support Services
Photo-Me International	FTSE 250	30-Apr-03	Cyclical Services	Media & Entertainment
PHS Group	FTSE 250	31-Mar-03	Cyclical Services	Support Services

Company Name	Index	Fiscal Year End	FTSE Economic Group	FTSE_Sector
Phytopharm	FTSE Small Cap	31-Aug-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
Pilkington	FTSE 250	31-Mar-03	Basic Industries	Construction & Building Materials
Pillar Property	FTSE 250	31-Mar-03	Financials	Real Estate
Plasmon	FTSE Small Cap	31-Mar-03	Information Technology	Information Technology Hardware
Porvair	FTSE Small Cap	1-Dec-02	Basic Industries	Chemicals
Premier Farnell	FTSE 250	2-Feb-03	Cyclical Services	Support Services
Premier Oil	FTSE 250	31-Dec-02	Resources	Oil & Gas
Protherics	FTSE Small Cap	31-Mar-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
Provident Financial	FTSE 250	31-Dec-02	Financials	Speciality & Other Finance
Prudential	FTSE 100	31-Dec-02	Financials	Life Assurance
PSD Group	FTSE Small Cap	31-Dec-02	Cyclical Services	Support Services
Psion	FTSE 250	31-Dec-02	Information Technology	Information Technology Hardware
Punch Taverns	FTSE 250	23-Aug-03	Cyclical Services	Leisure & Hotels
PZ Cussons	FTSE 250	31-May-03	Non-Cyclical Consumer Goods	Personal Care & Household Products
Quintain Estates and Development	FTSE 250	31-Mar-03	Financials	Real Estate
RAC	FTSE 250	31-Dec-02	Cyclical Services	Support Services
Radstone Technology	FTSE Small Cap	31-Mar-03	Information Technology	Information Technology Hardware
Randgold Resources	FTSE 250	31-Dec-02	Resources	Mining
Rank Group	FTSE 250	31-Dec-02	Cyclical Services	Leisure & Hotels
Rathbone Brothers	FTSE Small Cap	31-Dec-02	Financials	Speciality & Other Finance
Reckitt Benckiser	FTSE 100	31-Dec-02	Non-Cyclical Consumer Goods	Personal Care & Household Products
Redrow	FTSE 250	30-Jun-03	Basic Industries	Construction & Building Materials
Reed Elsevier	FTSE 100	31-Dec-02	Cyclical Services	Media & Entertainment
Vardy (Reg)	FTSE 250	30-Apr-03	Cyclical Consumer Goods	Automobiles & Parts
Regent Inns	FTSE Small Cap	5-Jul-03	Cyclical Services	Leisure & Hotels
Regus	FTSE Small Cap	31-Dec-02	Cyclical Services	Support Services
Reliance Security Group	FTSE Small Cap	25-Apr-02	Cyclical Services	Support Services
Renishaw	FTSE 250	30-Jun-03	General Industries	Electronic & Electrical Equipment
Rentokil Initial	FTSE 100	31-Dec-02	Cyclical Services	Support Services
Reuters Group	FTSE 100	31-Dec-02	Cyclical Services	Media & Entertainment
Rexam	FTSE 100	31-Dec-02	Cyclical Services	Support Services
Ricardo	FTSE Small Cap	30-Jun-02	Cyclical Services	Support Services
Richmond Foods	FTSE Small Cap	28-Sep-02	Non-Cyclical Consumer Goods	Food Producers & Processors
Rio Tinto	FTSE 100	31-Dec-02	Resources	Mining
RM	FTSE Small Cap	30-Sep-02	Information Technology	Software & Computer Services
RMC Group	FTSE 250	31-Dec-02	Basic Industries	Construction & Building Materials
Robert Walters	FTSE Small Cap	31-Dec-02	Cyclical Services	Support Services

Company Name	Index	Fiscal Year End	FTSE Economic Group	FTSE_Sector
Robert Wiseman Dairies	FTSE Small Cap	29-Mar-02	Non-Cyclical Consumer Goods	Food Producers & Processors
Rolls-Royce Group	FTSE 100	31-Dec-02	General Industries	Aerospace & Defence
Rotork	FTSE 250	31-Dec-02	General Industries	Engineering & Machinery
Roxboro Group	FTSE Small Cap	31-Dec-02	General Industries	Electronic & Electrical Equipment
Royal & Sun Alliance Insurance Group	FTSE 100	31-Dec-02	Financials	Insurance
Royal Bank Of Scotland Group	FTSE 100	31-Dec-02	Financials	Banks
Royalblue Group	FTSE Small Cap	31-Dec-02	Information Technology	Software & Computer Services
RPC Group	FTSE Small Cap	31-Mar-03	Cyclical Services	Support Services
RPS Group	FTSE 250	31-Dec-02	Cyclical Services	Support Services
SABMiller	FTSE 100	31-Mar-03	Non-Cyclical Consumer Goods	Beverages
Safeway	FTSE 100	29-Mar-03	Non-Cyclical Services	Food & Drug Retailers
Sage Group	FTSE 100	30-Sep-02	Information Technology	Software & Computer Services
Sanctuary Group	FTSE Small Cap	30-Sep-02	Cyclical Services	Media & Entertainment
Savills	FTSE Small Cap	31-Dec-02	Financials	Real Estate
Schroders	FTSE 100	31-Dec-02	Financials	Speciality & Other Finance
Scottish & Newcastle	FTSE 100	31-Dec-03	Non-Cyclical Consumer Goods	Beverages
Scottish & Southern Energy	FTSE 100	31-Mar-03	Utilities	Electricity
Scottish Power	FTSE 100	31-Mar-02	Utilities	Electricity
Scottish Radio Hldgs	FTSE 250	30-Sep-02	Cyclical Services	Media & Entertainment
ScS Upholstery	FTSE Small Cap	30-Sep-02	Cyclical Services	General Retailers
Securicor	FTSE 250	30-Sep-02	Cyclical Services	Support Services
Senior	FTSE Small Cap	31-Dec-02	General Industries	Engineering & Machinery
Serco Group	FTSE 250	31-Dec-02	Cyclical Services	Support Services
Severfield-Rowen	FTSE Small Cap	31-Dec-02	General Industries	Engineering & Machinery
Severn Trent	FTSE 100	31-Mar-03	Utilities	Utilities, Other
Shaftesbury	FTSE 250	30-Sep-02	Financials	Real Estate
Shanks Group	FTSE Small Cap	31-Mar-03	Cyclical Services	Support Services
Shell Transport & Trading Co	FTSE 100	31-Dec-02	Resources	Oil & Gas
Shire Pharmaceuticals Group	FTSE 100	31-Dec-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
SHL Group	FTSE Small Cap	31-Dec-02	Cyclical Services	Support Services
SIG	FTSE 250	31-Dec-02	Basic Industries	Construction & Building Materials
Signet Group	FTSE 250	1-Feb-03	Cyclical Services	General Retailers
Simon Group	FTSE Small Cap	31-Dec-02	Cyclical Services	Support Services
Singer & Friedlander Group	FTSE 250	31-Dec-02	Financials	Speciality & Other Finance
SkyePharma	FTSE 250	31-Dec-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
Slough Estates	FTSE 250	31-Dec-02	Financials	Real Estate
SMG	FTSE 250	31-Dec-02	Cyclical Services	Media & Entertainment
Smith & Nephew	FTSE 100	31-Dec-02	Non-Cyclical Consumer Goods	Health
Smiths Group	FTSE 100	31-Jul-03	General Industries	Aerospace & Defence
Soco International	FTSE Small Cap	31-Dec-02	Resources	Oil & Gas

Company Name	Index	Fiscal Year End	FTSE Economic Group	FTSE_Sector
Somerfield	FTSE 250	26-Apr-03	Non-Cyclical Services	Food & Drug Retailers
South Staffordshire Group	FTSE 250	31-Mar-03	Cyclical Services	Support Services
Spectris	FTSE 250	31-Dec-02	General Industries	Electronic & Electrical Equipment
Speedy Hire	FTSE Small Cap	30-Mar-03	Cyclical Services	Support Services
Spirax-Sarco Engineering	FTSE 250	31-Dec-02	General Industries	Engineering & Machinery
Spirent	FTSE 250	31-Dec-02	Information Technology	Information Technology Hardware
Sportech	FTSE Small Cap	31-Dec-03	Cyclical Services	Leisure & Hotels
Spring Group	FTSE Small Cap	31-Dec-02	Cyclical Services	Support Services
SSL International	FTSE 250	31-Mar-03	Non-Cyclical Consumer Goods	Health
St.Jamess Place Capital	FTSE 250	31-Dec-02	Financials	Life Assurance
St.Modwen Properties	FTSE Small Cap	30-Nov-02	Financials	Real Estate
St.Ives	FTSE 250	1-Aug-03	Cyclical Services	Media & Entertainment
Staffware	FTSE Small Cap	31-Dec-02	Information Technology	Software & Computer Services
Stagecoach Group	FTSE 250	30-Apr-03	Cyclical Services	Transport
Standard Chartered	FTSE 100	31-Dec-02	Financials	Banks
Stanley Leisure	FTSE 250	27-Apr-03	Cyclical Services	Leisure & Hotels
Surfcontrol	FTSE Small Cap	30-Jun-03	Information Technology	Software & Computer Services
SVB Holdings	FTSE Small Cap	31-Dec-02	Financials	Insurance
Sygen International	FTSE Small Cap	30-Jun-03	Non-Cyclical Consumer Goods	Food Producers & Processors
Synstar	FTSE Small Cap	30-Sep-03	Information Technology	Software & Computer Services
Clarke (T.)	FTSE Small Cap	31-Dec-02	Basic Industries	Construction & Building Materials
Tate & Lyle	FTSE 250	31-Mar-03	Non-Cyclical Consumer Goods	Food Producers & Processors
Taylor & Francis Group	FTSE 250	31-Dec-02	Cyclical Services	Media & Entertainment
Taylor Nelson Sofres	FTSE 250	31-Dec-02	Cyclical Services	Media & Entertainment
Taylor Woodrow	FTSE 250	31-Dec-02	Basic Industries	Construction & Building Materials
TBI	FTSE 250	31-Mar-03	Cyclical Services	Transport
TDG	FTSE Small Cap	31-Dec-02	Cyclical Services	Transport
Ted Baker	FTSE Small Cap	25-Jan-03	Cyclical Services	General Retailers
Telecom Plus	FTSE Small Cap	31-Mar-03	Non-Cyclical Services	Telecommunication Services
Telemetrix	FTSE Small Cap	31-Dec-02	Information Technology	Information Technology Hardware
Television Corporation	FTSE Small Cap	31-Dec-02	Cyclical Services	Media & Entertainment
Telewest Communications	FTSE Small Cap	31-Dec-02	Non-Cyclical Services	Telecommunication Services
Tesco	FTSE 100	22-Feb-03	Non-Cyclical Services	Food & Drug Retailers
Thorntons	FTSE Small Cap	28-Jun-03	Non-Cyclical Services	Food & Drug Retailers
THUS Group	FTSE 250	31-Mar-03	Non-Cyclical Services	Telecommunication Services
Tibbett & Britten Group	FTSE Small Cap	31-Dec-02	Cyclical Services	Transport
Tomkins	FTSE 100	3-Jan-02	General Industries	Engineering & Machinery
Topps Tiles	FTSE Small Cap	30-Sep-03	Cyclical Services	General Retailers
Tops Estates	FTSE Small Cap	31-Mar-03	Financials	Real Estate
Torex	FTSE 250	31-Dec-02	Information Technology	Software & Computer Services

Company Name	Index	Fiscal Year End	FTSE Economic Group	FTSE_Sector
Town Centre Securities	FTSE Small Cap	30-Jun-03	Financials	Real Estate
Travis Perkins	FTSE 250	31-Dec-02	Basic Industries	Construction & Building Materials
Tribal Group	FTSE Small Cap	31-Mar-03	Cyclical Services	Support Services
Trifast	FTSE Small Cap	31-Mar-03	Cyclical Services	Support Services
Trinity Mirror	FTSE 250	28-Dec-02	Cyclical Services	Media & Entertainment
TT Electronics	FTSE Small Cap	31-Dec-02	General Industries	Electronic & Electrical Equipment
TTP Communications	FTSE Small Cap	31-Mar-03	Information Technology	Information Technology Hardware
Tullow Oil	FTSE 250	31-Dec-02	Resources	Oil & Gas
UK Coal	FTSE Small Cap	31-Dec-02	Resources	Mining
Ulster Television	FTSE Small Cap	31-Dec-02	Cyclical Services	Media & Entertainment
Ultra Electronics Holdings	FTSE 250	31-Dec-02	General Industries	Aerospace & Defence
Ultraframe	FTSE 250	26-Sep-02	Basic Industries	Construction & Building Materials
UMECO	FTSE Small Cap	31-Mar-03	General Industries	Aerospace & Defence
Unilever	FTSE 100	31-Dec-02	Non-Cyclical Consumer Goods	Food Producers & Processors
Uniq PLC	FTSE Small Cap	31-Mar-03	Non-Cyclical Consumer Goods	Food Producers & Processors
Unite Group	FTSE Small Cap	31-Dec-02	Financials	Real Estate
United Business Media	FTSE 250	31-Dec-02	Cyclical Services	Media & Entertainment
United Utilities	FTSE 100	31-Mar-03	Utilities	Utilities, Other
Universal Salvage	FTSE Small Cap	3-May-02	Cyclical Services	Support Services
Vanco	FTSE Small Cap	31-Jan-03	Non-Cyclical Services	Telecommunication Services
Venture Production	FTSE Small Cap	31-Dec-02	Resources	Oil & Gas
Vernalis	FTSE Small Cap	30-Apr-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
Victrex	FTSE 250	30-Sep-03	Basic Industries	Chemicals
Viridian Group	FTSE 250	31-Mar-03	Utilities	Electricity
The Vitec Group	FTSE Small Cap	31-Dec-02	General Industries	Engineering & Machinery
Vodafone Group	FTSE 100	31-Mar-03	Non-Cyclical Services	Telecommunication Services
VT Group	FTSE 250	31-Mar-03	General Industries	Aerospace & Defence
Smith (WH) Group	FTSE 250	31-Aug-03	Cyclical Services	General Retailers
Wagon	FTSE Small Cap	31-Mar-03	Cyclical Consumer Goods	Automobiles & Parts
Warner Estate Hldgs	FTSE Small Cap	31-Mar-03	Financials	Real Estate
Weir Group	FTSE 250	26-Dec-02	General Industries	Engineering & Machinery
Wellington Underwriting	FTSE 250	31-Dec-02	Financials	Insurance
Wembley	FTSE Small Cap	31-Dec-02	Cyclical Services	Leisure & Hotels
Westbury	FTSE 250	28-Feb-03	Basic Industries	Construction & Building Materials
Wetherspoon(J D)	FTSE 250	27-Jul-03	Cyclical Services	Leisure & Hotels
Whatman	FTSE Small Cap	31-Dec-02	Non-Cyclical Consumer Goods	Health
Whitbread	FTSE 250	1-Mar-03	Cyclical Services	Leisure & Hotels
William Hill	FTSE 250	31-Dec-02	Cyclical Services	Leisure & Hotels
Wilmington Group	FTSE Small Cap	30-Jun-03	Cyclical Services	Media & Entertainment
Wilson Bowden	FTSE 250	31-Dec-02	Basic Industries	Construction & Building Materials
Wincanton	FTSE Small Cap	31-Mar-02	Cyclical Services	Transport

Company Name	Index	Fiscal Year End	FTSE Economic Group	FTSE_Sector
Morrison (Wm) Supermarkets	FTSE 100	2-Feb-03	Non-Cyclical Services	Food & Drug Retailers
Wolseley	FTSE 100	31-Jul-03	Basic Industries	Construction & Building Materials
Wolverhampton & Dudley Breweries	FTSE 250	27-Sep-02	Cyclical Services	Leisure & Hotels
Woolworths Group	FTSE 250	1-Feb-03	Cyclical Services	General Retailers
Workspace Group	FTSE Small Cap	31-Mar-03	Financials	Real Estate
WPP Group	FTSE 100	31-Dec-02	Cyclical Services	Media & Entertainment
Atkins (WS)	FTSE 250	31-Mar-03	Cyclical Services	Support Services
Wyevale Garden Centres	FTSE Small Cap	28-Dec-02	Cyclical Services	General Retailers
Wyndeham Press Group	FTSE Small Cap	31-Mar-03	Cyclical Services	Media & Entertainment
Xansa	FTSE 250	30-Apr-03	Information Technology	Software & Computer Services
Xenova Group	FTSE Small Cap	31-Dec-02	Non-Cyclical Consumer Goods	Pharmaceuticals & Biotechnology
Xstrata	FTSE 100	31-Dec-02	Resources	Mining
Yates Group	FTSE Small Cap	30-Mar-03	Cyclical Services	Leisure & Hotels
Yell Group	FTSE 100	31-Mar-00	Cyclical Services	Media & Entertainment
Yule Catto & Co	FTSE 250	31-Dec-02	Basic Industries	Chemicals

Appendix B: Basic Results

Table 13 contains for each search phrase applied in the electronic word search

- The number of occurrences, i.e. the total number of times a search phrase has been encountered during the electronic word search
- The number of companies in whose Annual Reports and Accounts the search phrase has been encountered.

Table 13. Total word count for each search phrase

Search Phrase	Number of Occurrences	Number of Companies
Waste	348	272
Environmental Polic	321	271
Recycl	279	240
Corporate Social Responsibility	234	209
Environmental Performance	161	156
ISO 14001	154	138
Water	135	97
Pollut	109	103
Impact On The Environment	103	100
Energy Efficienc	85	73
Packaging	82	74
Emission	79	71
Conservation	65	58
Contaminat	63	48
Environmental Report	61	53
Co_2	57	53
Climate Change	54	47
Landfill	46	44
Hazardous	45	42
Carbon Dioxide	44	39
Restoration	44	23
Supply Chain	44	43
Corporate Social Responsibility Report	43	35
Noise	41	36
Greenhouse Gas	39	33
Renewable	39	37
Environmental Risk	38	31
Energy Usage	37	36
Remedia	35	27
Environment Agency	34	25
Health Safety And Environment	33	30
Biodiversity	32	23
CSR Report	32	24
Verification	30	30
Environmental Liabilit	29	24
Safety Health And Environment	29	26
Environmental Objectives	28	28
Brownfield	27	18
Forest	27	24

Efficienc	26	19
Environmental Law	26	24
Ems	25	22
Discharge	23	20
Asbestos	22	17
Environmental Audit	20	17
Environmental Regulation	20	20
Prosecution	20	20
Wildlife	19	19
CSR	18	18
Sustainability Report	18	13
River	17	14
Fines	16	14
Habitat	16	13
Harmful	16	16
Ozone	16	16
Ecol	15	13
Groundwater	15	11
Reclamation	14	6
Enforcement	13	13
environmental	13	11
Procurement	13	13
Environmental Target	12	10
HSE	12	12
Impact Assessment	12	12
Environmental Provision	11	8
the environment	11	8
Decommission	10	7
Hazardous Substance	8	8
Permit	8	7
Rehabilitation	8	5
Toxic	8	8
Marine	7	5
Nuclear	7	5
Cfc	6	6
Emas	6	6
Environmental Expenditure	5	5
Flood	5	5
Spillage	5	5
Triple Bottom Line	5	4
Ecos	4	4
Lake	4	4
life cycle	4	4
Radioactive	4	3
Electromagnetic	3	2
Environmental Indicators	3	3
Green Energy	3	3
HSE Report	3	3
Land Use	3	3
Ipc	2	2
Ippc	2	2
Sulphur Dioxide	2	2
Accident	1	1
Aggregates Tax	1	1

Cleanup	1	1
Impact Analysis	1	1
Incineration	1	1
Radiation	1	1
Grand Total	3776	3257

Table 14 contains for each environmental topic used in this study

- The number of occurrences of search phrases assigned to the topic, i.e. the total number of times any search phrase has been encountered during the electronic word search that was used in the context of the environmental topic.
- The number of companies in whose Annual Reports and Accounts the environmental topic has been referred to.

Table 14. Total number of records assigned to each topic

Category	Number of Occurrences	Number of Companies
Environmental Policy	878	411
Waste Management	535	250
CSR	437	265
EMS	267	150
Energy	185	138
Water	181	123
Climate Change	168	96
Provisions and Liabilities	168	65
Compliance	161	93
Biodiversity/Land Use	153	79
Environmental Target	146	104
Environmental Impact Assessment	86	61
Other Environmental Impacts	66	51
Environmental Procurement	55	46
Resource Use	42	36
Remediation	41	25
Environmental Risk Management	37	32
Pollution	37	31
External Audit	32	29
Contaminated Land	31	25
Product	28	22
Environmental Tax	18	13
Environmental Accounting	8	7
Environmental Incident	8	7
License To Operate	6	6
Acid Rain	2	2
Grand Total	3776	2167

Table 15 contains for each search phrase used in the electronic word search the number of times it has been assigned to a specific environmental topic.

Table 15. Topics assigned to each record for each search phrase

Search Phrase	Total Number of Categories	Acid Rain	Biodiversity/ Land Use	Climate Change	Compliance	Contaminated Land	CSR	EMS	Energy	Environmental Accounting	Impact Assessment	Environmental Incident	Environmental Policy	Environmental Procurement	Environmental Risk Management	Environmental Target	Environmental Tax	External Audit	License To Operate	Other Environmental Impacts	Pollution	Product	Provisions and Liabilities	Remediation	Resource Use	Waste Management	Water	Grand Total
Pollut	13			1	8			7			2		68			1				1	9	2	3		1	2	4	109
Waste	13				1		3	16	1	1	6	1	81	1		16				1			3			217		348
Emission	12			12	2		1	1			3		27			9			1	4	17	1	1					79
Water	12		2		3		7	8			1		16			7					1		1		3	1	76	135
Recycl	11		1				1		1		4		74	1		3						1			9	181	3	279
Conservation	10		19	1	1				26		1		1	1											3	1	2	65
Contaminat	10				2	29		1			1		6								3		18	1		1	1	63
Environmental Performance	10				3			17	1		1		75	1		6		1					1			1		161
Impact On The Environment	10					1	6	6	1		16		68			1							2			1	1	103
Environmental Polic	9				3			5		1		1	263	2		1							1				44	321
Co2	8			35	1			2	3		9		3			3	1											57
Discharge	8				4			2					5					1			4		2			2	3	23
Climate Change	7		1	37	2				3		1		4				6											54
Environmental Risk	7				1			1					2	1	3				1								2	38
Forest	7		11	4			1							1			1					2			7			27
Hazardous	7				3			2			2		5										4			24	5	45
ISO 14001	7						1	128				1	13	4		6										1		154
Landfill	7								1		1		1			1	5									36	1	46
Packaging	7				4		1	3			3		11									3				57		82
Restoration	7		3										2						1		1		27	9			1	44
River	7		3				1	1			2										1			4			5	17
Carbon Dioxide	6			38				1	1		2					1	1											44
Efficienc	6			1					7				2									8			7		1	26
environmental	6		1		1		5						3		2								1					13

Search Phrase	Total Number of Categories	Acid Rain	Biodiversity/ Land Use	Climate Change	Compliance	Contaminated Land	CSR	EMS	Energy	Environmental Accounting	Impact Assessment	Environmental Incident	Environmental Policy	Environmental Procurement	Environmental Risk Management	Environmental Target	Environmental Tax	External Audit	License To Operate	Other Environmental Impacts	Pollution	Product	Provisions and Liabilities	Remediation	Resource Use	Waste Management	Water	Grand Total
Groundwater	6							1				2	1										5	1			5	15
Renewable	6			2					23					1								1			11		1	39
Safety Health And Environment	6				1		1	3					22	1		1												29
Energy Efficienc	5								79		1					2	1					2						85
Noise	5							1					7			1				31							1	41
Permit	5				2											1			3				1			1		8
Procurement	5										1		3	7		1										1		13
Asbestos	4				3								1			1							17					22
Environmental Law	4				13			1					1										2					26
Environmental Liabilit	4						1			1			1										26					29
Environmental Objectives	4							1					11			15	1											28
Environmental Report	4						39	2					19					1										61
Greenhouse Gas	4			35				1			2					1												39
Habitat	4		12				1						1											2				16
Hazardous Substance	4				2								1									4					1	8
HSE	4				1		2						7			2												12
Marine	4		2		1			3													1							7
Reclamation	4				1																		9	1		3		14
Remedia	4				2								3										16	14				35
Spillage	4											1	1											2			1	5
Supply Chain	4							3					5	33												3		44
Toxic	4												3									1				2	2	8
CSR	3				1		15						2															18
Energy Usage	3			1					35													1						37
Environmental Indicators	3										1		1			1												3
Environmental	3				9							1	1															20

Search Phrase	Total Number of Categories	Acid Rain	Biodiversity/ Land Use	Climate Change	Compliance	Contaminated Land	CSR	EMS	Energy	Environmental Accounting	Impact Assessment	Environmental Incident	Environmental Policy	Environmental Procurement	Environmental Risk Management	Environmental Target	Environmental Tax	External Audit	License To Operate	Other Environmental Impacts	Pollution	Product	Provisions and Liabilities	Remediation	Resource Use	Waste Management	Water	Grand Total
Regulation																												
Environmental Target	3							1								1	1											12
Flood	3			1							1																3	5
Health Safety And Environment	3						24						6		3													33
Lake	3		1					1																			2	4
life cycle	3																					2		1	1			4
Rehabilitation	3																						2	5			1	8
the environment	3				1		4						6															11
Verification	3						1						1					28										30
Biodiversity	2		31								1																	32
Brownfield	2		26																					1				27
Cfc	2												1							5								6
Corporate Social Responsibility Report	2						4						3															43
CSR Report	2						27						5															32
Decommission	2												1										9					10
Ecol	2		14										1															15
Electromagnetic	2												1		2													3
Ems	2							24					1															25
Environment Agency	2				33									1														34
Environmental Expenditure	2									1													4					5
Harmful	2										1																15	16
Ipc	2				1	1																						2
Ozone	2												2							14								16
Radioactive	2																			3			1					4
Triple Bottom Line	2									4			1															5
Accident	1											1																1

Search Phrase	Total Number of Categories	Acid Rain	Biodiversity/ Land Use	Climate Change	Compliance	Contaminated Land	CSR	EMS	Energy	Environmental Accounting	Impact Assessment	Environmental Incident	Environmental Policy	Environmental Procurement	Environmental Risk Management	Environmental Target	Environmental Tax	External Audit	License To Operate	Other Environmental Impacts	Pollution	Product	Provisions and Liabilities	Remediation	Resource Use	Waste Management	Water	Grand Total
Aggregates Tax	1																1											1
Cleanup	1																						1					1
Corporate Social Responsibility	1						234																					234
Ecos	1		4																									4
Emas	1							6																				6
Enforcement	1				13																							13
Environmental Provision	1																						11					11
Fines	1				16																							16
Green Energy	1								3																			3
HSE Report	1						3																					3
Impact Analysis	1										1																	1
Impact Assessment	1										12																	12
Incineration	1															1												1
Ippc	1				2																							2
Land Use	1		3																									3
Nuclear	1																			7								7
Prosecution	1				2																							20
Radiation	1												1															1
Sulphur Dioxide	1	2																										2
Sustainability Report	1						18																					18
Wildlife	1		19																									19
Grand Total		2	153	168	161	31	437	267	185	8	86	8	878	55	37	146	18	32	6	66	37	28	168	41	42	535	181	3776

Table 16 contains for each search phrase used in the electronic word search the number of times it has been encountered in a specific section of the Annual Reports and Accounts.

Table 16. Location of Search phrases in Sections of the Annual Reports and Accounts

Phrase	Freq	Officer's Statement	Operating & Financial Review	Directors' report	Corporate Governance	CSR	Auditor's Report	Accounts	Notes To The Accounts	Shareholder Information	Grand Total
Waste	2	5	19	98	19	199			8		348
Environmental Polic	2	6	15	152	31	112			4	1	321
Recycl	2	6	14	91	23	144			1		279
Corporate Social Responsibility	1	28	8	73	31	94					234
Environmental Performance	2	7	7	39	14	93			1		161
ISO 14001	1	9	19	29	6	91					154
Water	2	3	16	21	3	90			2		135
Pollut	2		5	32	8	60			3	1	109
Impact On The Environment	2	2	6	34	14	46			1		103
Energy Efficienc	2	5	18	18	4	39			1		85
Packaging	1	4	6	24	4	44					82
Emission	1	1	6	7	3	61				1	79
Conservation	1	6	10	16	1	32					65
Contaminat	3	2	11	5	6	18	1		20		63
Environmental Report	1	2	7	17	5	29				1	61
Co2	2	1	6	4		45			1		57
Climate Change	2	6	11	3		33			1		54
Landfill	1	1	4	6	1	34					46
Hazardous	2		5	15	5	18			1	1	45
Carbon Dioxide	2	2	6	4	2	29			1		44
Restoration	2	1	7			6			30		44
Supply Chain	1		6	6	5	27					44
Corporate Social Responsibility Report	1	7	1	8	3	23				1	43

Phrase	Freq	Officer's Statement	Operating & Financial Review	Directors' report	Corporate Governance	CSR	Auditor's Report	Accounts	Notes To The Accounts	Shareholder Information	Grand Total
Noise	1		7	13	1	20					41
Greenhouse Gas	1	5	6	7	1	20					39
Renewable	1	1	6	7		25					39
Environmental Risk	2		8	6	9	14			1		38
Energy Usage	1	2	2	6	3	24					37
Remedia	2		4	2	3	15			11		35
Environment Agency	2		12	6		15			1		34
Health Safety And Environment	1	1	5	10	7	10					33
Biodiversity	1	1	3	3	2	23					32
CSR Report	1	4		2	3	22				1	32
Verification	1	1	2	5	7	15					30
Environmental Liabilit	2		4	1		3			20	1	29
Safety Health And Environment	1		3	7	8	11					29
Environmental Objectives	1		5	6	3	14					28
Brownfield	1	6	12	1	3	5					27
Forest	1		7	5		15					27
Efficienc	1	4	5	5	1	11					26
Environmental Law	2		4	6	5	6			3	2	26
Ems	1			4		16					25
Discharge	1		2	2		19					23
Asbestos	2	1	3	1	1	3			13		22
Environmental Audit	2		4	7	3	5			1		20
Environmental Regulation	1		3	6	3	8					20
Prosecution	1		2	1		17					20
Wildlife	1	1	3			15					19
CSR	1	3	1	2	1	11					18
Sustainability Report	1	6	2	1	1	7				1	18
River	2	3	5			8			1		17

Phrase	Freq	Officer's Statement	Operating & Financial Review	Directors' report	Corporate Governance	CSR	Auditor's Report	Accounts	Notes To The Accounts	Shareholder Information	Grand Total
Fines	2		4	1		7			3	1	16
Habitat	1		8		1	7					16
Harmful	1			3	1	12					16
Ozone	1		2	2	4	8					16
Ecol	2		3		1	10			1		15
Groundwater	2	1	5			4			5		15
Reclamation	3		4		1	2		1	6		14
Enforcement	2		2	2		6			2	1	13
environmental	1			9	2				2		13
Procurement	1			2	1	10					13
Environmental Target	1		1	3	1	7					12
HSE	1	1	2	5		4					12
Impact Assessment	1		6			6					12
Environmental Provision	2		2					2	7		11
the environment	0			10	1						11
Decommission	2		1			1			8		10
Hazardous Substance	1		2	2	1	2				1	8
Permit	1					8					8
Rehabilitation	2	1	2	1		2			2		8
Toxic	1			2	2	4					8
Marine	1				1	6					7
Nuclear	1		2	2		3					7
Cfc	1		1	2		3					6
Emas	1		2	1		3					6
Environmental Expenditure	2		1					1	3		5
Flood	1		3			2					5
Spillage	1	1	2	1		1					5
Triple Bottom Line	1		1		2	2					5
Ecos	1		1			3					4

Phrase	Freq	Officer's Statement	Operating & Financial Review	Directors' report	Corporate Governance	CSR	Auditor's Report	Accounts	Notes To The Accounts	Shareholder Information	Grand Total
Lake	1	1	1			2					4
life cycle	1		2	1		1					4
Radioactive	1			2	1				1		4
Electromagnetic	1		1						2		3
Environmental Indicators	1					3					3
Green Energy	1	1		1		1					3
HSE Report	1	1			1	1					3
Land Use	1					3					3
Ipc	0		1		1						2
Ippc	1		1			1					2
Sulphur Dioxide	1		1			1					2
Accident	0				1						1
Aggregates Tax	0		1								1
Cleanup	1								1		1
Impact Analysis	0			1							1
Incineration	1					1					1
Radiation	1					1					1
Grand Total	4	150	403	877	276	1882	1	4	169	14	3776

Table 17 contains for each environmental topic used in this study the number of times it has been encountered in a specific section of the Annual Reports and Accounts.

Table 17. Location of Environmental Topics in Sections of the Annual Reports and Accounts

Category	Officer's Statement	Operating & Financial Review	Directors' report	Corporate Governance	CSR	Auditor's Report	Accounts	Notes To The Accounts	Shareholder Information	Grand Total
Environmental Policy	9	19	165	46	170	0	0	1	1	411

Category	Officer's Statement	Operating & Financial Review	Directors' report	Corporate Governance	CSR	Auditor's Report	Accounts	Notes To The Accounts	Shareholder Information	Grand Total
CSR	30	18	78	28	110	0	0	0	1	265
Waste Management	7	15	85	20	122	0	0	1	0	250
EMS	5	14	34	8	88	0	0	1	0	150
Energy	10	16	32	7	73	0	0	0	0	138
Water	6	16	28	4	68	0	0	1	0	123
Environmental Target	2	7	21	8	65	0	0	1	0	104
Climate Change	4	11	10	1	70	0	0	0	0	96
Compliance	0	13	19	8	49	0	0	3	1	93
Biodiversity/Land Use	3	19	6	1	47	0	0	3	0	79
Provisions and Liabilities	0	8	0	0	8	0	0	49	0	65
Environmental Impact Assessment	1	5	5	4	45	0	0	1	0	61
Other Environmental Impacts	0	8	14	5	23	0	0	1	0	51
Environmental Procurement	0	5	5	5	31	0	0	0	0	46
Resource Use	1	5	9	1	20	0	0	0	0	36
Environmental Risk Management	0	5	7	8	10	0	0	2	0	32
Pollution	1	2	8	4	15	0	0	1	0	31
External Audit	1	1	5	6	16	0	0	0	0	29
Remediation	3	9	0	3	6	0	0	4	0	25
Contaminated Land	2	5	2	2	11	0	0	3	0	25
Product	4	7	3	2	5	0	0	0	1	22
Environmental Tax	2	6	1	0	4	0	0	0	0	13
Environmental Incident	0	2	1	1	2	0	0	1	0	7
Environmental Accounting	0	2	1	1	1	0	0	2	0	7
License To Operate	0	1	0	0	5	0	0	0	0	6
Acid Rain	0	1	0	0	1	0	0	0	0	2
Grand Total	91	220	539	173	1065	0	0	75	4	2167

Table 18. Top 50 companies by number of occurrences of environmental disclosures

Name	Acid Rain	Biodiversity/Land Use	Climate Change	Compliance	Contaminated Land	CSR	EMS	Energy	Environmental Accounting	Environmental Impact Assessment	Environmental Incident	Environmental Policy	Environmental Procurement	Environmental Risk Management	Environmental Target	Environmental Tax	External Audit	License To Operate	Other Environmental Impacts	Pollution	Product	Provisions and Liabilities	Remediation	Resource Use	Waste Management	Water	Grand Total
BAA PLC		5	10			1		2				1	2	3	4		1		3	2					6	3	43
FKI PLC			1	3	1	2	5	4		1		13	1		1					1					6	3	42
SLOUGH ESTATES PLC	1	7	1			3		4				5			2				2				1		12	4	42
SCOTTISH POWER PLC		2	1	6	2	1	2	1	1	1		3			1			1	1	1		9	1		2	1	37
RIO TINTO PLC		4	5	3		1	4	3		1	1	1					3					6	3			2	37
BRAMBLES INDUSTRIES PLC			3	2		5	5	1		3	1	9		1						1		2			2		35
RMC GROUP P.L.C.		11	3	1	1	1	3	1				2			1							2	6			2	34
BOC GROUP PLC (THE)			4	2		3	3	1				8			1				1		1	4	1		2	1	32
UK COAL PLC		1	4	1			6	2								3			1			6	5	1	1	1	32
DS SMITH PLC			2	2		1	2	2		1		2	2		2									1	11	3	31
NATIONAL GRID TRANSCO PLC			4	6	1		2	1	1			1	1		1							9	2		1		30
BP PLC		2	6			1	1	1		1		1		1					1			12			2		29
KELDA GROUP PLC		5	2	7			2					4	1						1	1		1			1	3	28
GKN PLC			1	2		1	9	2		1		2		1	3				1			3			1		27
IMPERIAL CHEMICAL INDUSTRIES PLC			1	10		1	2	1			1	2								1	1	3		2		1	26
XSTRATA AG		1	1	1			9			2		3							1			1	2			5	26
TRAVIS PERKINS PLC			2	2		1	2	1				4	1		2				2		1				6	1	25
MARSHALLS PLC		1		2		1	3	3		1		8			2					1				1	2		25
BELLWAY P.L.C.		9	1		1	1				2		3			2								1		4	1	25
JARVIS PLC		2	2			4	3	4				2							1					2	2	2	24
CANARY WHARF GROUP PLC		1				1	3	1				5	1		2		1		1					1	5	1	23
BRITISH ENERGY PLC		1	4	1		4	1					1		1	1				4	1		4					23
BARCLAYS PLC			4	1	1	4	2			4		3		1	2		1										23
FRIENDS PROVIDENT PLC		1	1			3	1	1		1		1	5		5		2								1		22
CRODA INTERNATIONAL PLC			1	3	1		2	3				1										3	1		5	2	22

Name	Acid Rain	Biodiversity/Land Use	Climate Change	Compliance	Contaminated Land	CSR	EMS	Energy	Environmental Accounting	Environmental Impact Assessment	Environmental Incident	Environmental Policy	Environmental Procurement	Environmental Risk Management	Environmental Target	Environmental Tax	External Audit	License To Operate	Other Environmental Impacts	Pollution	Product	Provisions and Liabilities	Remediation	Resource Use	Waste Management	Water	Grand Total
MCBRIDE PLC		2	1	2			3	1		1		1			1										6	4	22
SEVERN TRENT PLC		2	1	3		3	2					1										2	1		2	4	21
WILSON BOWDEN PLC		3		2		2	3	2				2	2										1		3	1	21
BHP BILLITON PLC				1	1	3	3	2		1	2	1		1								4	1				20
GLAXOSMITHKLINE PLC			1	1		1	1	1				3		1	3						1	6		1			20
MCCARTHY & STONE PLC		1		3	1	3						2				1			1					1	6	1	20
JOHNSON MATTHEY Plc						4	1					4	1		1		1				1			4	1	1	19
UNITED UTILITIES PLC		1		2			1			6		1			2							2			3	1	19
PREMIER FARNELL PLC			2	1			2					1						1							10	2	19
AMERSHAM PLC		3		2		2	1	1	1			4					1					2				1	18
GALLIFORD TRY PLC		5		1			1	1				4	1		1								2		2		18
BT GROUP PLC			1			2	1	1		1		4	1	1								2			3		17
INTERNATIONAL POWER PLC		2	4		1	3	2	1						1	1			1				1					17
REDROW PLC		5				1	1	3				1			1									1	2	2	17
ROLLS-ROYCE GROUP PLC			3	1		3	1					1			1				2		3				2		17
WEIR GROUP PLC (THE)			1	1		2		1				5			1							2			2	2	17
DE LA RUE PLC			1				4					2			1				1						5	3	17
BPB PLC		2	2	1				2		1		1			1							2			3	1	16
SHELL TRANSPORT AND TRADING COMPANY PLC			3			1	1					1									1	7	1			1	16
BAE SYSTEMS PLC			1		1	6	1	1				1								3					1		15
GEEST PLC				3		1		1		1		4	1									1			3		15
QUINTAIN ESTATES AND DEVELOPMENT PLC		4			4			1				1											1		2	2	15
W H SMITH PLC		2						1		1		2	1												5	3	15
WESTBURY PLC		3			1			1		1		3													3	3	15
ROTORK P.L.C.			2			2	5	1				4												1			15

Table 19. Top 50 companies by number of occurrences of environmental disclosures in the audited sections of the Annual Reports and Accounts

Name	Biodiversity/Land Use	Compliance	Contaminated Land	CSR	EMS	Environmental Accounting	Environmental Impact Assessment	Environmental Incident	Environmental Policy	Environmental Risk Management	Environmental Target	Environmental Tax	External Audit	Other Environmental Impacts	Pollution	Product	Provisions and Liabilities	Remediation	Waste Management	Water	Grand Total
BP PLC																	11		1		12
BHP BILLITON PLC		1	1					2									4	1			9
SCOTTISH POWER PLC		1				1											6				8
UK COAL PLC												2					6				8
IMPERIAL CHEMICAL INDUSTRIES PLC		6														1	1				8
NATIONAL GRID TRANSCO PLC		1															6				7
RANDGOLD RESOURCES LIMITED																	7				7
HANSON PLC																	6				6
GLAXOSMITHKLINE PLC																	5				5
BOOKHAM TECHNOLOGY PLC			1						1								3				5
RIO TINTO PLC																	4				4
BRITISH ENERGY PLC														1			3				4
CRODA INTERNATIONAL PLC																	3			1	4
SHELL TRANSPORT AND TRADING CO PLC																	4				4
CORUS GROUP PLC		2										2									4
SHANKS GROUP PLC																	3	1			4
ASTRAZENECA PLC																	3				4
ANGLO AMERICAN PLC	1																2	1			4
LONDON MERCHANT SECURITIES PLC									1										2	1	4
SEVERN TRENT PLC																	2	1			3
UNITED UTILITIES PLC											1						2				3
VIRIDIAN GROUP PLC																	3				3
RENTOKIL INITIAL PLC																	3				3
ENNSTONE PLC	1																2				3

Name	Biodiversity/Land Use	Compliance	Contaminated Land	CSR	EMS	Environmental Accounting	Environmental Impact Assessment	Environmental Incident	Environmental Policy	Environmental Risk Management	Environmental Target	Environmental Tax	External Audit	Other Environmental Impacts	Pollution	Product	Provisions and Liabilities	Remediation	Waste Management	Water	Grand Total
RMC GROUP P.L.C.																	2				2
KELDA GROUP PLC		1															1				2
AMERSHAM PLC						1											1				2
INTERNATIONAL POWER PLC			1														1				2
BAE SYSTEMS PLC				2																	2
AQUARIUS PLATINUM LIMITED															1		1				2
GALLAHER GROUP PLC		1			1																2
MMO2 PLC										1							1				2
PENNON GROUP PLC																	2				2
STAGECOACH GROUP PLC																	2				2
MALCOLM GROUP PLC - THE																	2				2
LLOYDS TSB GROUP PLC				1													1				2
INTERTEK GROUP PLC		2																			2
BOC GROUP PLC (THE)																	1				1
XSTRATA AG																	1				1
FRIENDS PROVIDENT PLC													1								1
WEIR GROUP PLC (THE)																	1				1
QUINTAIN ESTATES AND DEVELOPMENT PLC			1																		1
AEA TECHNOLOGY PLC																			1		1
MARCONI CORPORATION PLC																	1				1
WOLSELEY PLC																	1				1
CADBURY SCHWEPPES PUBLIC LIMITED COMPANY																	1				1
REXAM PLC																	1				1
ROYAL & SUN ALLIANCE INSURANCE GROUP PLC																	1				1
Grand Total	2	16	4	3	1	2	0	2	2	1	1	4	1	1	1	1	113	4	4	2	165

Table 20. Top 50 companies by number of quantitative environmental disclosures in the Annual Reports and Accounts

Name	Acid Rain	Biodiversity/Land Use	Climate Change	Compliance	Contaminated Land	EMS	Energy	Environmental Impact Assessment	Environmental Policy	Environmental Procurement	Environmental Target	Environmental Tax	External Audit	Environmental Impacts	Pollution	Product	Provisions and Liabilities	Remediation	Resource Use	Waste Management	Water	Grand Total
SLOUGH ESTATES PLC	1	4	1				1				2									5	1	15
GKN PLC			1	2		1	2				2			1			2			1		12
CRODA INTERNATIONAL PLC				2			1										2			5	1	11
BP PLC			3			1	1	1									2			1		9
DS SMITH PLC			1					1			1								1	5		9
BOC GROUP PLC (THE)			2	1					1		1			1		1				1		8
FKI PLC				3			2				1									1	1	8
FRIENDS PROVIDENT PLC			1					1		1	4									1		8
DE LA RUE PLC			1			1														4	2	8
DIXONS GROUP PLC			2																	6		8
TELEWEST COMMUNICATIONS PLC			2				1				1									3		7
CARLTON COMMUNICATIONS PLC			3											1						2	1	7
RIO TINTO PLC				2													4	1				7
BT GROUP PLC			1				1	1									1			2		6
EGG PLC			1								1									3	1	6
UK COAL PLC			2									2					2					6
SHELL TRANSPORT AND TRADING COMPANY PLC			3														2				1	6
GRANADA PLC						1		4	1													6
EMI GROUP PLC			2				1													3		6
WEIR GROUP PLC (THE)			1				1		1								1				1	5
BPB PLC		1					1				1						1			1		5
LAURA ASHLEY HOLDINGS PLC			1				1													2	1	5
BARCLAYS PLC			2					2			1											5
AVIS EUROPE PLC			2				2								1							5

Name	Acid Rain	Biodiversity/Land Use	Climate Change	Compliance	Contaminated Land	EMS	Energy	Impact Assessment	Environmental Policy	Environmental Procurement	Environmental Target	Environmental Tax	External Audit	Environmental Impacts	Pollution	Product	Provisions and Liabilities	Remediation	Resource Use	Waste Management	Water	Grand Total
BRITISH POLYTHENE INDUSTRIES PLC			2																	2	1	5
HBOS PLC			1				2		2													5
NATIONAL GRID TRANSCO PLC			3														2					5
BOOTS GROUP PLC											2									3		5
BAA PLC			1							1										2		4
AMERSHAM PLC		1					1		2													4
GEEST PLC				2			1										1					4
W H SMITH PLC								1												2	1	4
BURBERRY GROUP							2	1												1		4
BRAMBLES INDUSTRIES PLC			3					1														4
TRAVIS PERKINS PLC			2																	2		4
JARVIS PLC			2				2															4
PREMIER FARNELL PLC																				3	1	4
CARILLION PLC		1	3																			4
DEBENHAMS PLC							2													2		4
MCBRIDE PLC							1													1	1	3
SEVERN TRENT PLC		1																		1	1	3
BAE SYSTEMS PLC			1				1								1							3
LEGAL & GENERAL GROUP PLC			1								1									1		3
DAILY MAIL AND GENERAL TRUST PLC																			1	1	1	3
PACE MICRO TECHNOLOGY PLC			1								1					1						3
SCOTTISH AND SOUTHERN ENERGY PLC			1				1								1							3
ARLA FOODS UK PLC			1								1										1	3
BIOCOMPATIBLES INTERNATIONAL PLC								1			1									1		3
IMPERIAL CHEMICAL INDUSTRIES PLC				2													1					3
Grand Total	1	8	54	14	0	4	28	14	7	2	21	2	0	3	3	2	21	1	2	68	17	272

Table 21 Companies making no disclosures on the environment

Index	FTSE_Sector	Short Company Name
FTSE 100	Media & Entertainment	Reed Elsevier
FTSE 100	Media & Entertainment	Reuters Group
FTSE 100	Media & Entertainment	Yell Group
FTSE 100	Pharmaceuticals & Biotechnology	Shire Pharmaceuticals Group
FTSE 250	Electronic & Electrical Equipment	Spectris
FTSE 250	General Retailers	Ebookers
FTSE 250	General Retailers	French Connection Group
FTSE 250	General Retailers	Kesa Electricals
FTSE 250	General Retailers	Lastminute.Com
FTSE 250	Leisure & Hotels	William Hill
FTSE 250	Personal Care & Household Products	PZ Cussons
FTSE 250	Real Estate	NHP
FTSE 250	Software & Computer Services	Autonomy Corporation
FTSE Small Cap	Aerospace & Defence	Chemring Group
FTSE Small Cap	Aerospace & Defence	UMECO
FTSE Small Cap	Automobiles & Parts	C D Bramall
FTSE Small Cap	Automobiles & Parts	European Motor Hldgs
FTSE Small Cap	Automobiles & Parts	Lookers
FTSE Small Cap	Automobiles & Parts	Pendragon
FTSE Small Cap	Chemicals	Dyson Group
FTSE Small Cap	Construction & Building Materials	Clarke (T.)
FTSE Small Cap	Food Producers & Processors	Richmond Foods
FTSE Small Cap	General Retailers	Alexon Group
FTSE Small Cap	General Retailers	Beattie (James)
FTSE Small Cap	General Retailers	John David Group (The)
FTSE Small Cap	General Retailers	Merchant Retail Group
FTSE Small Cap	Health	Corin Group
FTSE Small Cap	Household Goods & Textiles	Amstrad
FTSE Small Cap	Information Technology Hardware	Imagination Technologies Group
FTSE Small Cap	Information Technology Hardware	Plasmon
FTSE Small Cap	Information Technology Hardware	Radstone Technology
FTSE Small Cap	Insurance	Atrium Underwriting
FTSE Small Cap	Insurance	Benfield Group
FTSE Small Cap	Insurance	Goshawk Insurance Holdings
FTSE Small Cap	Insurance	Kiln
FTSE Small Cap	Leisure & Hotels	Belhaven Group
FTSE Small Cap	Leisure & Hotels	Burtonwood Brewery
FTSE Small Cap	Leisure & Hotels	LA Fitness
FTSE Small Cap	Media & Entertainment	Incisive Media
FTSE Small Cap	Media & Entertainment	Maiden Group
FTSE Small Cap	Media & Entertainment	Ulster Television
FTSE Small Cap	Pharmaceuticals & Biotechnology	Alizyme
FTSE Small Cap	Pharmaceuticals & Biotechnology	Genemedix
FTSE Small Cap	Pharmaceuticals & Biotechnology	Goldshield Group
FTSE Small Cap	Pharmaceuticals & Biotechnology	Protherics
FTSE Small Cap	Pharmaceuticals & Biotechnology	Vernalis
FTSE Small Cap	Real Estate	Ashtenne Holdings

Index	FTSE_Sector	Short Company Name
FTSE Small Cap	Real Estate	CLS Holdings
FTSE Small Cap	Real Estate	Tops Estates
FTSE Small Cap	Software & Computer Services	Alphameric
FTSE Small Cap	Software & Computer Services	Aveva Group
FTSE Small Cap	Software & Computer Services	Diagonal
FTSE Small Cap	Software & Computer Services	Emblaze Systems
FTSE Small Cap	Speciality & Other Finance	BWD Securities
FTSE Small Cap	Speciality & Other Finance	Charles Taylor Consulting
FTSE Small Cap	Speciality & Other Finance	Evolution Group
FTSE Small Cap	Support Services	Corporate Services Group
FTSE Small Cap	Support Services	Danka Business Systems
FTSE Small Cap	Support Services	Mice Group
FTSE Small Cap	Support Services	Regus
FTSE Small Cap	Support Services	SHL Group
FTSE Small Cap	Telecommunication Services	Telecom Plus
FTSE Small Cap	Telecommunication Services	Vanco