



Department for  
Energy Security  
& Net Zero

# Scope 3 Emissions in the UK Reporting Landscape

Call for Evidence Analysis Report

May 2024



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Any enquiries regarding this publication should be sent to us at: [reporting@energysecurity.gov.uk](mailto:reporting@energysecurity.gov.uk)

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# Executive Summary

The Department for Energy Security and Net Zero (DESNZ) launched a Call for Evidence on 19 October 2023 to gather feedback on the benefits, costs, and practicalities of Scope 3 greenhouse gas (GHG) emissions reporting in the UK, including links to the Streamlined Energy and Carbon Reporting framework. The Call for Evidence ran to 14 December 2023. In total, 184 unique responses were received from Citizen Space or email responses. This is a summary of the views expressed.

## Costs and Benefits of Scope 3 Reporting

- Respondents reported that key drivers of costs of Scope 3 emissions reporting include: internal staff time (n=39), data collection costs and IT costs (n=18), and external audit and verification costs (n=31). The potential costs for those with complex/distant supply chains and particularly small and medium sized enterprises were also flagged by respondents.
- Respondents indicated that the main benefits of Scope 3 reporting include: improved transparency and reputational benefits (n=33), ability of firms to use the data to identify emission hotspots and adopt targeted emission reduction approaches (n=29) and the benchmarking of firms (n=10). The fact that Scope 3 often represented the significant majority of emissions was also viewed as an important factor.
- Another theme frequently cited by respondents was complex data requirements (n=65) associated with Scope 3 emissions reporting. Challenges in relation to data access, data consistency and quality, data estimation, and expertise were cited.

## ISSB and GHG protocol

- Almost all (95%) respondents agreed with the International Sustainability Standards Board (ISSB) *assessment of the value of Scope 3 emissions*. Respondents recognised that Scope 3 emissions can comprise a vast proportion of company emissions, and capturing this data is crucial for investors to assess climate-related risks and opportunities. Moreover, that Scope 3 data can help companies better understand their supply chain and inform improvements to mitigate adverse environmental impacts.
- Over half (56%) of respondents agreed with the *approach to Scope 3 emissions reporting* set out in the International Financial Reporting Standards for Climate Related Disclosures (IFRS S2), noting issues such the pragmatism of the approach, benefits of international standards, options for transitional measures and the benefits of common metrics for those using frameworks such as CDP and the Science Based Targets initiative. Those that disagreed or were more mixed (37%) expressed views on the potential costs and practicality, materiality, and specificity of IFRS S2 as well as the need to consider interoperability with other reporting frameworks such as the EU's Corporate Reporting Sustainability Directive.
- 80% of respondents supported the use of the GHG protocol for the purposes of Scope 3 reporting on the basis it was a well-established framework and the benefits that it

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provided for consistent reporting. The remaining proportion of respondents expressed concerns on areas such as reporting boundaries, spend based assessments, biomethane and the value of the different categories of Scope 3 emissions in the protocol.

### **Streamlined Energy and Carbon Reporting**

- Respondents were broadly split on the extent to which the Streamlined Energy and Carbon Reporting (SECR) Regulations had met their original objectives, particularly given the changes in the landscape since SECR introduction and the challenges of isolating SECR costs and benefits in a complex carbon and energy reporting and taxation landscape.
- Costs of compliance with SECR varied depending on the size, structure, and complexity of the business as well as overlaps noted by a significant number of respondents with other mandatory and voluntary reporting.
- The most cited benefit of SECR was raising awareness (n=28) within organisations of carbon accounting and emissions, particularly noting the position in the annual report increased Board level and stakeholder engagement.
- In terms of streamlining SECR, a range of options were suggested by respondents which focussed on the role of IT and data collection, and policy streamlining on account of the perceived overlaps with several existing and planned policies.
- Respondents also suggested that the value of SECR information would be enhanced by digitalisation for consumers of SECR reports (n=22) – making the data more accessible and consistent than the current, primarily pdf-based disclosure in various parts of the annual report.

# Introduction

The Department for Energy Security and Net Zero (DESNZ) launched a Call for Evidence in October 2023 to gather feedback on the benefits, costs, and practicalities of Scope 3 greenhouse gas (GHG) emissions reporting in the UK, including links to the government’s Streamlined Energy and Carbon Reporting (SECR) framework.

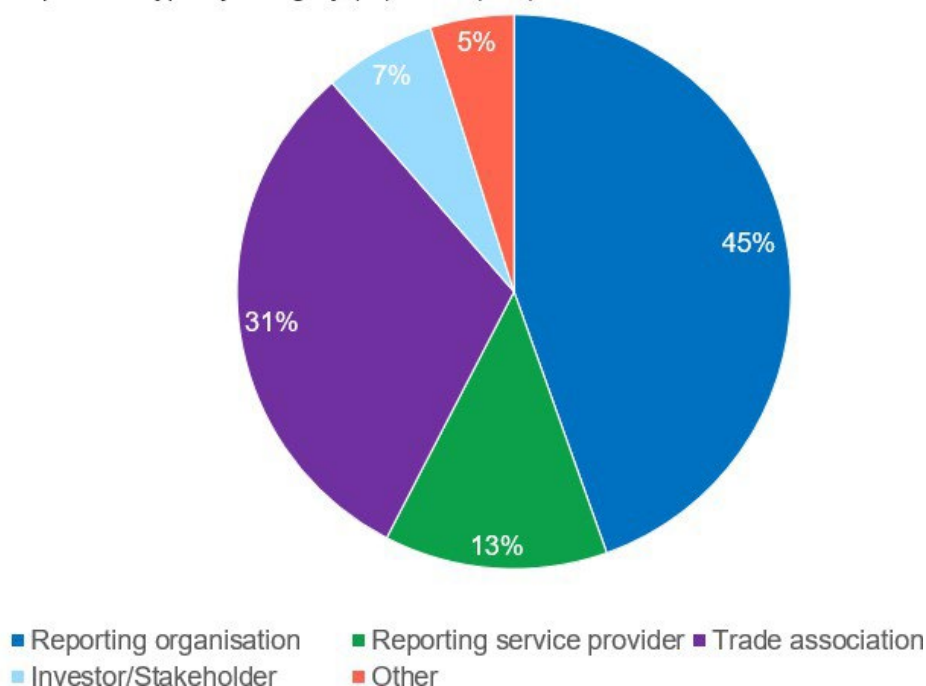
The GHG Protocol classifies a company’s emissions into three scopes: Scope 1 (direct emissions from owned or controlled sources), Scope 2 (indirect emissions from the generation of purchased energy) and Scope 3 (all indirect emissions, not included in Scope 2, that occur in the value chain of the reporting company).

The purpose of the Call for Evidence was to seek stakeholder views on the costs, benefits, and practicalities of Scope 3 GHG emissions reporting. The responses will **help inform the government’s decision on whether to endorse IFRS S2**, the International Sustainability Standard Board’s climate-related standard. Views on the SECR framework, in addition to a planned evaluation of the policy, **will help to inform a forthcoming Post-Implementation Review (PIR)**. The report provides a summary of the responses received to the Call for Evidence.

## Responses to the Consultation

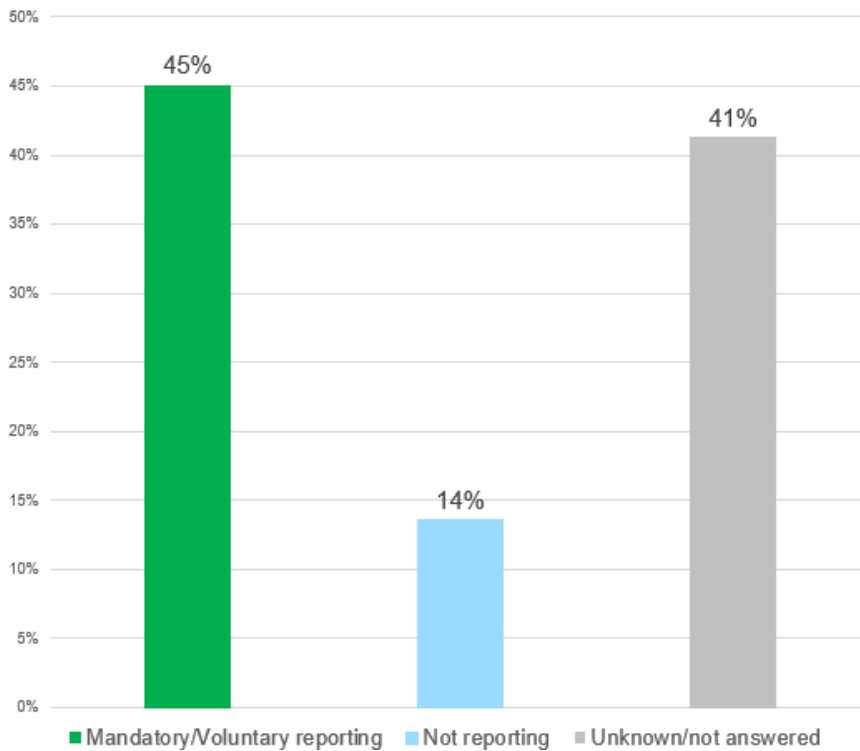
The Call for Evidence ran from the 19 October 2023 to 14 December 2023. In total, 184 unique responses were received from Citizen Space or email responses.

Respondent type by category (%); base (184)



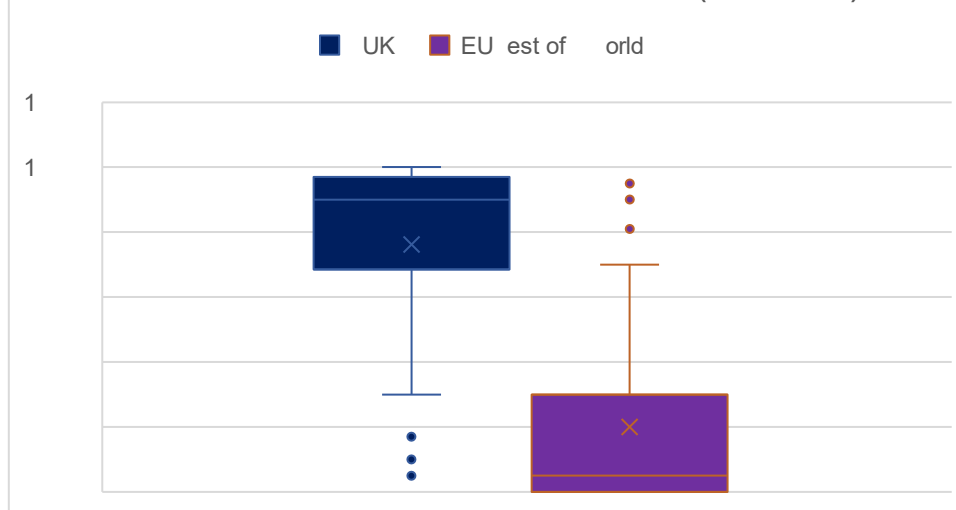
45% of respondents stated that they currently report Scope 3 emissions on a mandatory or voluntary basis as opposed to the 14% that stated they do not report Scope 3 emissions. However, not all respondents report all the 15 Scope 3 categories; some mentioned that they only report a small number of categories or those that are material to their business.

Current levels of Scope 3 emissions reporting (%); base (184)



There was a broad distribution of values reported in terms of the location of emissions. Overall, more respondents reported a higher proportion of UK-based emissions than emissions outside of the UK. Note this relates to territorial emissions e.g. those emissions that arise within the borders of a country (or other area), rather than a measure of the extent of the impact of Scope 3 emissions.

Distribution of Territorial Emissions (base=57)



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## Methodology

The analytical approach followed the methods used in qualitative thematic analysis<sup>1</sup>. Responses were catalogued to identify the respondent type and response levels across the span of the Call for Evidence questionnaire, including whether respondents wanted to keep their response confidential.

A coding framework was prepared building upon the Call for Evidence questionnaire structure, including the key research aims, questions and emergent issues raised by respondents, and analytical themes arising from the recurrence or patterning of views.

Each individual response was analysed in turn, and relevant data was inputted to the analysis framework; data was 'lifted' from the response documents and rearranged according to the appropriate thematic reference.

New themes were created to reflect responses that were not already captured by the coding framework to ensure that the full range and breadth of responses were captured. When all the data was coded according to core themes, further analysis was undertaken to identify the balance and weight of views expressed across the dataset.

## Caveats

The Call for Evidence responses provide textual data in response to the questions set out by DESNZ; the data has been analysed in a qualitative manner and therefore does not aim to produce a quantifiable summary of attitudes or experiences. Where relevant, quantification has been provided, or numbers of responses given to reflect the weight of opinion. The findings capture the views of those who responded to the Call for Evidence and cannot be taken to represent the views of all businesses, stakeholders, or organisations. The Department recognises that there may be alternative views on specific issues which have not been captured.

Throughout the report, base sizes will differ as not all respondents have answered all questions in the Call for Evidence. Furthermore, quotations are provided to illustrate key points raised by respondents, however, respondent names are anonymised in instances where respondents have requested that their response is anonymised, and/or if they have provided a PDF submitted response where consent to share their response with identifiers has not been recorded.

The report is structured on the themes arising from the three main areas of focus in the Call for Evidence, namely, the ISSB and GHG Protocol, Costs and Benefits of Scope 3 Emissions Reporting and the SECR PIR. A question-by-question coverage of responses is not provided, as many responses received to the Call for Evidence provided a general view on the questions as opposed to strictly following the questionnaire format.

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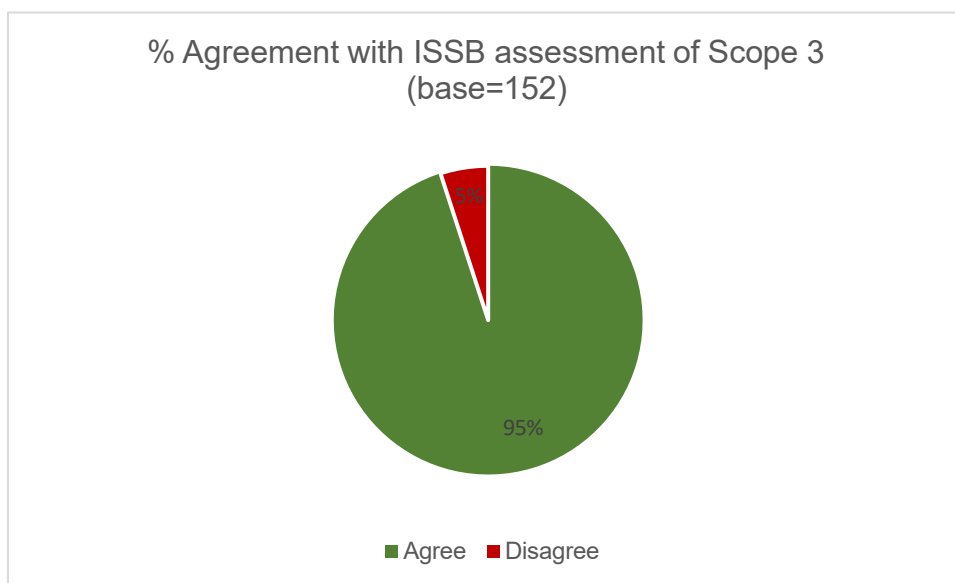
<sup>1</sup> Bryman A, Bell E, Reck J, Fields J. Social Research Methods. Oxford University Press; 2022.



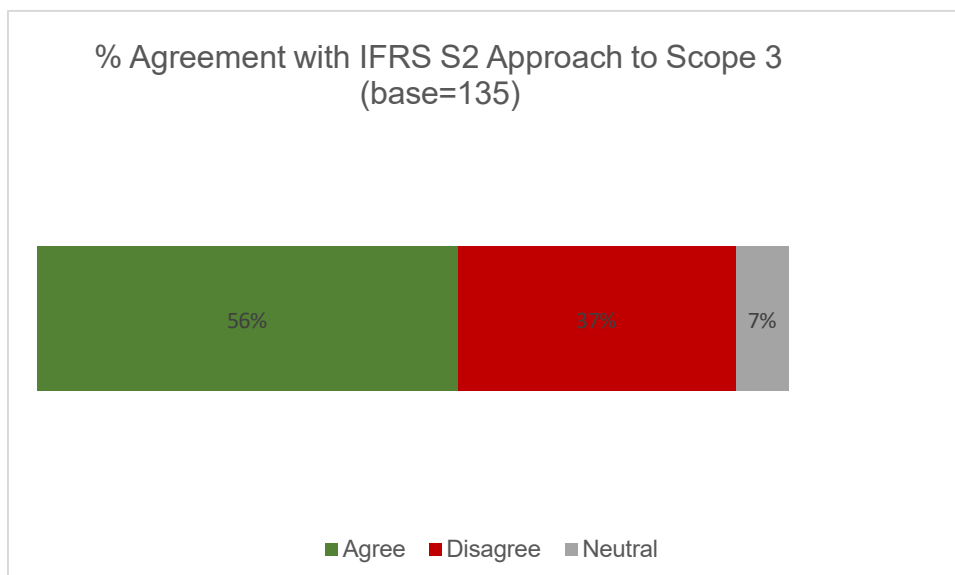
# Chapter 1: ISSB and GHG Protocol

## ISSB assessment of Scope 3 emissions

Almost all (95%) respondents agreed with the International Sustainability Standards Board (ISSB) assessment of the value of Scope 3 emissions. Respondents recognised that Scope 3 emissions can comprise a vast proportion of company emissions, and capturing this data is crucial for investors to assess climate-related risks and opportunities. Moreover, Scope 3 data can help companies better understand their supply chain and inform improvements to mitigate adverse environmental impacts.



Over half (56%) of respondents agreed with the approach to Scope 3 emissions reporting set out in the International Financial Reporting Standards for Climate Related Disclosures (IFRS S2), compared to 37% that disagreed with the approach and/or presented a qualified mixed view in relation to the specificity of the approach, and 7% that expressed a neutral view.



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Among those that expressed agreement with the approach to Scope 3 in the IFRS S2, there was an acknowledgement of the pragmatism of the approach which focuses on (financial) materiality, so only data which is useful for investors and decision-making is captured. Moreover, there was specific mention of the benefit of transitional reliefs in the first year of reporting as it allows firms to adapt to the requirements, and the provision of common metrics and standards for inputs and measurement e.g. priority on primary data, verification of data and providing context on the methodology and assumptions underpinning data. The requirement to report “absolute emissions” was also cited positively, as it is consistent with the Carbon Disclosure Project and the Science-Based Target initiative in disclosure frameworks.

*“Overall materiality assessments can assist in streamlining reporting by focussing on the most significant impacts, which aligns with the ISSB’s goal of providing relevant and decision-useful information.” (Reporting organisation)*

*“The approach to Scope 3 reporting in the IFRS S2 is logical and relatively clear. It is appreciated that the standard has noted clarifications on common metrics, reporting timeframes and primary/secondary data sources.” (Reporting organisation)*

*“IFRS S2 is striving to make Scope 3 reporting as beneficial as possible, this is done by mandating that all 15 categories of Scope 3 are reported, along with any risks and opportunities that could have a material impact on the entity. This level of thoroughness and completeness is necessary for Scope 3 reporting to have a meaningful impact.” (Trade association)*

*“We are broadly supportive of the IFRS S2 approach to reporting. We would note that the requirements do not meet all of the informational needs of investors for Scope 3 data across the real economy. This is on the basis that (a) we anticipate ISSB will only apply to the largest companies, whereas data is needed across the whole economy and (b) the ISSB’s materiality lens may mean that certain categories of Scope 3 go underreported.” (Reporting organisation)*

Moreover, there was a view that international standards, such as those in the IFRS S2, help to ensure interoperability with approaches in other jurisdictions such as the EU and California.

*“The implementation of IFRS S1 and S2 presents a significant opportunity to improve international interoperability and comparability of sustainability data, and to reduce national fragmentation.” (Trade Association)*

*“The ISSB standards will allow for the standardisation of sustainability-related disclosures on a single, global baseline. This will create greater harmonisation, consistency, and comparability across jurisdictions. It will also reduce the risk of fragmentation and regulatory arbitrage and lower the cost of compliance.” (Trade association)*

Respondents that were positive about the IFRS S2 standard expressed divergent views regarding the comparability of Scope 3 data. On the one hand, for a firm’s own emissions data, consistent reporting across Scope 1, 2 and 3 emissions helped to formulate a comparable

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year-on-year inventory of emissions, so that decisions such as outsourcing, for example, would not create discrepancies in carbon reduction data.

*“In general terms we agree with the ISSB’s assessment of the value of Scope 3 emissions reporting, which specifically references climate-related risks from an investor’s perspective. We also recognise the value in consistent reporting of total emissions across all scopes, so that if services become outsourced or are brought in-house, the total greenhouse gas inventory is comparable year on year and there is reduced risk of misleading gains or reductions in total carbon (which occurs if only scopes 1 and 2 are reported in these situations).” (Reporting service provider)*

In contrast, when comparing across companies, there was an acknowledgement of the limitations in comparability based on differing interpretations of materiality that may result from differences in reporting across the Scope 3 emissions categories and different reporting methodologies used to calculate emissions.

Just over a third (37%) of respondents expressed a mixed view on the IFRS S2 approach. A commonly mentioned issue was that IFRS S2 states that reporting should be ‘without undue cost or effort’, there was a view that this may not be feasible particularly for smaller entities. Moreover, there was a perceived trade-off between resource intensive reporting methodologies, especially to capture Scope 3 emissions data, and the actions needed to reduce emissions. This was particularly relevant where it was felt that companies have less direct control on emissions in their supply chain which are captured through Scope 3 reporting.

Moreover, there was specific mention of improvements that could be made to the specificity of the IFRS S2. A commonly reported view was that materiality could be better defined in the framework. For example, there was a view that materiality should have a quantitative threshold in terms of the % coverage of emissions to be considered material rather than based on categories of emissions (n=14). Among those that expressed this view, a small number of companies drew the comparison between the ISSB focus on financial materiality and the EU’s Corporate Sustainability Directive position on ‘double materiality’; the latter was felt to be more comprehensive in terms of capturing the impact of emissions to people and planet.

*“Materiality should be more specific and numerate. There will be differing views on whether omitting scope 3 emissions would ‘reasonably’ be expected to influence decisions. We would instead advocate a minimum percentage of total emissions represented by scope 3 as the materiality threshold.” (Trade association)*

*“The approach to materiality is a different approach compared to CSRD, we consider this a more comprehensive and appropriate approach. Double materiality should be considered as an option.” (Reporting organisation)*

Respondents expressed the view that more flexibility should be incorporated in the IFRS Standard to recognise the challenges in capturing Scope 3 emissions, including reliefs or extended phasing-in of requirements for certain sectors or categories of reporting entities, and the ability to revise disclosures when more precise data and/or methodologies become available. There was a view that more examples of what constitutes “good data” should

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accompany the general principles outlined in the framework. There was a perceived disparity between the IFRS S2 principles of good data and the challenges in acquiring primary data from company supply chains, where reporting tends to rely on spend based approximations of emissions.

*“Current methods to estimate emissions from land-based emissions and sequestration are based on relatively simplistic models and national-level emissions factors. These tools do not slot neatly into the ISSB’s approach founded on direct measurements and faithful representation.” (Trade association)*

In terms of the knock-on consequences of adopting ISSB, 44 respondents noted that there are a variety of reporting requirements, and that the UK’s approach must be interoperable with other reporting frameworks such as the EU Corporate Sustainability Reporting Directive (EU CSRD), and the US Securities and Exchange Commission Climate Disclosure Rules. In particular, the differences between IFRS S2 and EU CSRD were mentioned, and it was felt that there is a risk of administrative burden in terms of the different reporting approaches. Moreover, that adoption of ISSB should lead to a consideration of streamlining reporting requirements, by considering the interaction with existing schemes including SECR, the Energy Savings Opportunity Scheme (ESOS), and policies to address carbon leakage. For sectors such as construction, there was a perceived inconsistency between the ISSB approach and methodologies that are required for environmental product declarations and lifecycle assessments.

*“As a UK entity with a wider international group structure, it is vital that the ISSB approach aligns with the approach of CSRD and international reporting frameworks.” (Reporting organisation)*

*“The recent implementation of the CSRD in the EU places a more stringent sustainability disclosure requirement on companies in scope than ISSB standards. We believe there is little value in imposing a different reporting framework on companies subject to the CSRD and some allowance should be made to accept disclosures made under CSRD as compliant.” (Reporting organisation)*

In contrast, respondents that expressed the view that there were positive knock-on effects (n=20) suggested that the approach would support preparedness for CBAM and product standards. Moreover, reputational benefits were mentioned including helping the UK to set international standards as an early adopter of ISSB and supporting the UK’s ambition to be a green finance hub.

*“By endorsing the IFRS sustainability standards without divergence, the UK can maximise their global consistency and practical utility. This approach would not only simplify reporting for UK-based firms but also encourage harmonisation of reporting standards internationally, providing a clear framework for other countries to follow.” (Investor/Stakeholder)*

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## GHG protocol

80% of respondents supported the use of the GHG protocol for the purposes of Scope 3 reporting. The most common reason for positive endorsement of the protocol was that it is a well-established framework, that will promote consistency in reporting.

*“Making Scope 3 reporting within IFRS S2 consistent with the GHG Protocol is very positive, as it makes organisations comparable and increases the consistency across the industry.” (Reporting organisation)*

*“GHG Protocol explicitly states that Scope 3 emissions should not be used to compare between businesses without greater requirements for consistency.” (Reporting service provider)*

For the remaining 20% that expressed a negative view regarding the protocol, there was a perception that the protocol did not define certain parameters such as reporting boundaries, permitted the use of spend based data (at least within the first year of reporting), and was not updated to reflect trends in the economy such as increased homeworking. There was also appetite for sector specific guidance to be provided.

*“While the GHG Protocol serves as a valuable resource, it falls short in prescribing specific methodologies. This lack of prescription can result in inconsistencies in reporting methodologies across organisations.” (Reporting organisation)*

There was a specific issue raised concerning the treatment of biomethane within the protocol, in its Land Sector and Removals Guidance, and whether there is an issue of double counting with respect to the carbon benefit for the transport sector. It should be noted that the Land Sector and Removals Guidance is currently in draft form, alongside other ongoing standard revision work for the GHG protocol that is expected to be completed by 2026.

In terms of the relevance of the 15 GHG categories for Scope 3 emissions, there was a general view that the most valuable categories depended on the business sector, value chain, operating environment and the categories that are financially/strategically material to the business<sup>2</sup>. However, among those that review data, there was a view that there needs to be a standardisation of reporting across the 15 GHG categories to enable comparison.

*“We require coherence in company reporting of Scope 3 emissions, covering the 15 underlying categories in a standardised manner according to sector/type, and with consistent regional emissions factors.” (Investor/Stakeholder)*

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<sup>2</sup> FTSE Russell research on Scope 3 emissions makes similar recommendations, see here: <https://www.lseg.com/en/ftse-russell/research/solving-scope-3-conundrum>

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## Compliance with IFRS

There were a range of suggestions made about other valuable emissions data, beyond what is required as part of IFRS, including:

1. intensity factors to contextualise figures, like the approach adopted in SECR.
2. expanding on the top three to five sources of Scope 3 emissions to enhance the interpretability of reported figures.
3. biodiversity metrics, beyond carbon, to understand broader environmental impacts.
4. embodied emissions, and product/service level data.
5. forestry, land and agricultural emissions.
6. share of renewable and non-renewable energy consumption.
7. data on action taken to reduce emissions such as target setting, energy efficiency measures adopted, capital investment or RDI to lower emissions.

In terms of guidance to help organisations comply with the IFRS requirement, there was a view that SME specific guidance or tools may help to ease compliance. Moreover, a set of overarching principles that prioritise proportionality, and materiality, will help to balance the requests on SMEs for data inputs.

There was also a sectoral emphasis, in particular there was a request for worked examples and sector specific guidance using emission factors and building on the GHG protocol.

To help organisations prepare for ISSB, there was a view that there should be a phased implementation approach (n=22). The phased implementation could include extended transitional relief to allow organisations to prepare for Scope 3 reporting requirements or to phase the eligibility requirements of entities in scope for ISSB.

*“If the UK seeks to offer additional reliefs for anticipated implementation challenges, these should ideally only be in the form of extended transition/implementation periods, rather than substantive carve-outs, which risk limiting international interoperability of the disclosures.”*  
(Reporting organisation)

## Investor / stakeholder decision-making

30 respondents reported the importance of Scope 3 data to decision-making. There was a caveat that the usefulness of the data will depend on the precision and accuracy of data provided.

*“Scope 3 information should be material from an investor perspective and, as such, integrated into the business strategy. It may be used for risk assessment, benchmarking, and performance measurement.”* (Trade association)

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*“Scope 3 emissions data is integral to comprehensive assessments of climate-related risks...By incorporating this data into their risk analysis, investment managers can better gauge the potential impact of climate change on a company's operations and financial performance.” (Investor / Stakeholder)*

Furthermore, the consistent reporting of Scope 3 data was seen as a mechanism for peer comparison in terms of emission reductions. There was also seen to be an indirect benefit by increasing the availability and granularity of scope 3 data.

Among those that responded, there was agreement that the usefulness of Scope 3 data will depend on the sector and size of the organisation including the categories of emissions that are material. However, there was a view that for certain organisations with more direct emissions, scope 1 and 2 categories may be more pertinent than Scope 3 data. Therefore, business model and sector, and size of the organisation, will determine the relevance of Scope 3 data for investors and stakeholders.

*“Scope 3 emissions as a percentage of total emissions varies greatly between sectors and therefore will make a difference to the usefulness of the data. For example, within the cement industry, Scope 3 emissions account for a relatively low % of total emissions. In comparison, in the financial services sector, Scope 3 accounts for at least 90% of emissions and therefore any changes will be significant.” (Investor / Stakeholder)*

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# Chapter 2: Scope 3 Emissions

## Costs and benefits of Scope 3 reporting

Responses concerning the costs of Scope 3 reporting centred on the overlapping themes of financial and temporal cost, as well as on issues of data complexity and consequent demands on developing skills and capability for reporting.

The upfront cost required to develop capability for reporting was reported as a major theme. The main categories of cost commonly reported by respondents include internal staff time (n=39), data collection costs and IT costs (n=18), and external audit and verification costs (n=31). A variety of monetary values were reported, predominantly in the tens of thousands of pounds. Aside from the costs involved in developing Scope 3 reports, there was a view that further capital investment will be required to reduce emissions in the value chain through the adoption of new technologies and processes.

There was a perceived trade-off between high quality, primary data inputs and the cost of reporting, as there was a view that specific high-quality data will invariably be harder to collect, requiring additional resource and cost. Moreover, the requirement to have external verification of data was seen as an additional outlay, as this will involve hiring external consultants.

*“Initial estimates of several Scope 3 categories (1-8, 15) can be performed quite easily, typically using spend-based calculations with industry average emissions factors. Other categories (predominantly downstream) require more bespoke modelling which is often unique to client or industry and takes more time and effort. These categories are much more prohibitive for smaller companies.” (Reporting service provider)*

Concerns regarding cost were more significant among those with limited experience of Scope 3 reporting and who would have to make investments to enhance their climate related reporting capabilities. There was, however, a view that the costs would decrease over time, once organisations had upskilled staff and developed a familiarity with the methodologies, a data pipeline and automation of reporting.

*“Our organisation has limited in-house expertise in carbon accounting and management; therefore, costs will be associated with seeking external support for reporting and assurance. Over time, it is expected that investment will be required to upskill colleagues in-house and increase competency and capability for GHG reporting and planning activities.” (Reporting organisation)*

*“As businesses become more familiar with the intricacies of scope 3 reporting and streamline their data collection methods, the process becomes more efficient. Especially when companies commit to regular, annual reporting, they can optimise the process, reducing the initial learning curve typically experienced in the early stages.” (Reporting service provider)*



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Recurring but less frequently cited costs included the challenge of obtaining emissions factors and communicating with supply chain actors to acquire primary data inputs, including if supplier agreements need to be adjusted to support requests for Scope 3 reporting.

*“The supply chain plays a crucial role in the provision of data to the client organisation. The need for suppliers to report information to the client organisation may result in additional costs. This is particularly challenging with diverse and international supply chain.” (Reporting organisation)*

Commonly reported benefits of Scope 3 reporting include improved transparency and reputational benefits (n=33), ability of firms to use the data to identify emission hotspots and adopt targeted emission reduction approaches (n=29) and the benchmarking of firms (n=10).

There was a view that Scope 3 emissions can comprise a vast majority of a company's emissions (up to 90% of emissions for some companies), therefore, reporting of this data is required for transparency of the full company carbon footprint. Moreover, as this level of reporting provides a fuller picture of a company's climate impact, this can help to inform decision-making by investors and stakeholders and ensure they are accountable for managing climate related risks and reducing emissions. There was specific mention of the benefit of Scope 3 reporting in terms of supporting the development of science-based targets, and in turn the benefits of enhancing the reputation of firms and increasing investor ratings.

*“Comprehensive scope 3 disclosures are becoming more common place and investors are requesting scope 3 data more frequently to assess their own capital at risk and against their own ESG agendas.” (Reporting organisation)*

*“In increasingly interconnected value chains, where effects can quickly progress and multiply, Scope 1 and 2 reporting alone do not provide the necessary information for investors and account users to properly assess climate risk.” (Reporting service provider)*

The transparency and awareness that results from Scope 3 reporting was seen as beneficial to informing decision-making in terms of identifying emissions hotspots and making targeted efforts to reduce emissions, including sustainable procurement policies, and implementing resource efficiency measures.

*“Having access to this data is key in empowering our teams to make informed decisions, identifying areas for improvement, and securing our supply chain. For example, by pinpointing emission hotspots, especially those linked to commodities associated with deforestation and agricultural processes, we can effectively tackle potential risks within their supply chain. This enables us to adopt proactive measures, mitigating the possibility of impending challenges and future shortages.” (Reporting organisation)*

*“One of the benefits of scope 3 reporting is the increased visibility it provides on the emissions embedded in materials and products a company uses throughout its supply chain. Emissions associated with purchased goods and services upstream in a supply chain are often the largest source of a company's carbon footprint. This increased visibility, and target setting based on it,*

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*would reduce non-carbon environmental impacts as it encourages greater resource efficiency and circularity.” (Trade association)*

There was recognition of indirect benefits such as the enhanced supplier engagement and enhanced understanding of upstream/downstream supply chain of a business; and improvement of carbon accounting methodologies through increased standardised requirement to report Scope 3 emissions; and transparency for consumers.

*“Currently, Scope 3 reporting allows opportunities to develop partnerships with progressive customers to better understand the supply chain and reduce emissions. It is our view that in the future, it will become a requirement from our customers, as they look to calculate and report their own emissions.” (Trade Association)*

A proportion of those that already report on their Scope 3 emissions (n=17) cited positive impacts in terms of building supply chain relationships, enabling knowledge exchange in terms of sustainability approaches and reporting methods, as well as prompting businesses in the supply chain to adopt their own emissions reduction targets. There was a view that adopting a flexible approach with supply chain partners based on their capability, and service helped to foster positive relations.

*“Voluntarily reporting Scope 3 emissions, including through non-Governmental frameworks such as CDP and SBTi, have positively impacted relationships with businesses in the supply chain.” (Reporting organisation)*

*“The Project is placing carbon reporting requirements into contractual documentation, and it is working with its suppliers to understand what data may be available (activity vs emissions) for reporting. This has promoted open discussions with supply chain partners on their current capabilities to report, and how they are planning to improve data accuracy into the future. It has also initiated conversations around how best to collaborate on emissions reduction initiatives and data quality improvements.” (Reporting organisation)*

A lesser mentioned view was that requesting data for Scope 3 reporting from suppliers had / may lead to an increase in costs, as suppliers pass through the costs of compliance in their prices.

## SME Impacts

Aside from discussing direct costs to the reporting organisation, there was a frequently reported concern (n=45) about the cost and resource impact to SMEs. While it was acknowledged that SMEs will not necessarily be required to disclose their own Scope 3 emissions, they possibly may be obliged to provide data to larger organisations, if they are a supplier to larger reporting firms or those reporting in voluntary frameworks. A range of challenges were mentioned including a lack of resource and expertise in terms of data collection and reporting methodologies as well as the cost associated with purchasing technology solutions, and external verification and consultancy costs. One respondent reported

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that Federation of Small Businesses data suggests that 77% of SMEs operate within a supply chain<sup>3</sup>, therefore, the impacts to SME may be significant.

*“The smaller organisations currently do not have resources and expertise. It will take time for them to set up systems to account for Scope 3 emissions.” (Trade association)*

*“Many of our smaller members are already being asked to provide EPDs [Environmental Product Declarations] for their products, which cost a considerable amount to produce (£10-15k per product). There is a need to be able to provide this data in a simpler form.” (Trade association)*

Moreover, there was a view that a range of reporting requests in different formats to SMEs will create additional burden and cost of supporting Scope 3 reporting requirements.

*“We would be concerned about the disproportionate impact on SMEs. They may or may not be collecting the relevant information needed, which may depend on the size, type of business and operations and other factors. They could also have multiple customers across multiple different products and face different requests from different customers, particularly if there are indirect links through intermediaries for products.” (Trade association)*

Respondents suggested a broad range of support to help SMEs in supply chains with Scope 3 reporting. The suggestions covered developing standard reporting templates and methodologies, automation tools for data collection and reporting, knowledge share and support networks, tailored guidance and the provision of grants and incentives to alleviate cost pressures. Example of potential private sector solutions were cited; which were seeking to enable automated emissions reporting for SMEs in the UK through products and services such as accounting platforms, emission factors, and reporting software.

*“Opportunities for automating the capture and analysis of high-quality carbon emissions data to streamline the process will be critical if reporting is extended to SMEs. To create an open-source framework for carbon accounting bodies to be able to automate the capture and analysis of energy data directly from smart meters with the permission of SMEs.” (Trade association)*

A consistent theme throughout the call for evidence is the variety of reporting requirements; therefore, another suggestion to support SMEs was to standardise reporting formats to a widely accepted reporting standard such as GHG Protocol, ISSB, CDP, Science Based Targets initiative (SBTi), or the British Standards Institute’s PAS 2080 ‘Carbon Management in Infrastructure and Built Environment’.

A lesser mentioned view was the provision of data through granular and secondary level emissions factors, including for example regular updates to Government data tables for indirect emissions. Furthermore, a provision of a standard calculation tool was mentioned to support SMEs.

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<sup>3</sup> <https://www.fsb.org.uk/resource-report/chain-reaction-improving-the-supply-chain-experience-for-small-firms.html#:~:text=Chain%20Reaction-,Foreword,and%20society%20as%20a%20whole.>

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*“The government could make available more emissions factors, for the most standard purchases, either by publishing the emissions factors itself or partnering with companies that currently sell access to databases and subsidising access for businesses.” (Reporting service provider)*

## Data challenges

Another overarching theme was complex data requirements associated with Scope 3 emissions reporting. Within this major theme, views and experiences centred on data access, data consistency and quality, data estimation, and expertise.

The main concerns raised included:

1. the lack of common and sector specific guidance on data inputs and methodology for the 15 Scope 3 categories.
2. a reliance on spend-based data, which is permissible under the GHG protocol, but is seen as less preferable to primary, direct emissions data.
3. potential risk of double counting as supply chain emissions are accounted for across a range of organisations.
4. unclear or divergent views on reporting boundaries; where entity impact starts and ends.
5. lack of baseline data.
6. confidentiality regarding sensitive information about suppliers, buyers, or other stakeholders.

Furthermore, there was a concern among respondents that the quality of data may vary by organisation, and when taken with the inconsistent reporting methodologies, makes the task of building a complete scope 3 picture seem difficult across reporting entities.

Though it was acknowledged that primary data is preferable, estimates are often used in lieu, and some felt that the use of estimates can undermine comparability and transparency of reporting as estimation methods vary between organisations. Further, the estimates might not be sufficiently detailed or organisation specific.

*“We believe that reporting regulations, enforcement and any required assurance associated with them should reflect the inherent limitation in the quality, and completeness, of the data.... It should be noted data limitations may inhibit comparability, which is the interest of users of financial statements.” (Reporting organisation)*

*“The delay in obtaining and estimating actual data on emissions from all Scopes will cause a significant lag with financial reporting deadlines; accurately disclosing scope 3 emissions data will be particularly challenging.” (Reporting organisation)*

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*“The lack of widely accepted methodologies and frameworks, as well as control of and transparency into companies’ value chains, can make Scope 3 emissions disclosure challenging to produce and verify today. These deficiencies seriously undermine the ability of most companies to report consistent, complete, and reliable data.” (Trade association)*

A small number of respondents also raised issues of double counting as a challenge in accounting for wider value chain emissions. However, it was mentioned that the GHG protocol provides clarity on the issue of double counting to mitigate the associated risks.

*“It is intrinsic to this definition that the same emissions are likely to appear in the scope 3 data for multiple companies and have the potential to be counted multiple times in the process. Need to disaggregate at the very least upstream and downstream elements to ensure visibility of this.” (Reporting organisation)*

A range of tools and resources were mentioned in terms of supporting data availability for Scope 3 reporting. The most frequently mentioned resources include the DESNZ conversion factors, GHG Protocol Guidance, data from Environmental Product Declarations and RICS Whole Life Carbon Assessments, bespoke tools, and data subscriptions such as Eco invent, company level data (e.g. employee travel surveys), and resources signposted by participating in industry wide initiatives such as the Carbon Disclosure Project, Project Perseus and Net Zero Data Public Utility. Several respondents also mentioned using spend based data to estimate Scope 3 emissions including using Environmentally Extended Input Output (EEIO) models.

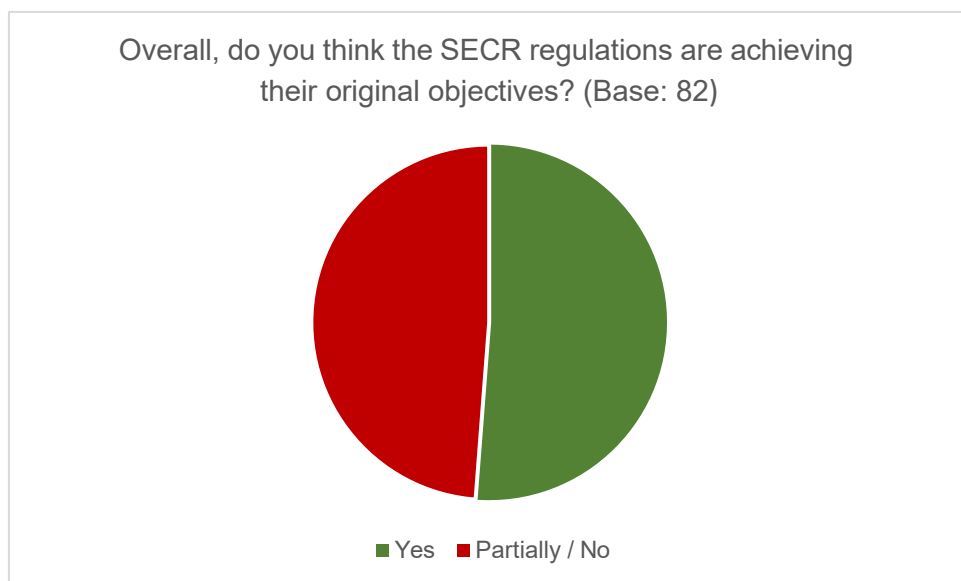
In terms of the tools and resources that could further support Scope 3 emissions reporting, responses were split into two broad categories: the provision of further guidance on data, and online reporting platforms. In terms of further guidance, respondents suggested the provision of a bank of emission factors for Scope 3 categories, a data collection template to support supplier engagement to collect downstream/upstream data, and a data quality scoring methodology like the Partnership for Carbon Accounting Financials (PCAF) standard, to highlight issues with data quality and comparison of Scope 3 emissions data. With regards to online reporting platforms, there was specific mention of the utility of a bespoke platform to report Scope 3 data in a consistent way across organisations. Moreover, there was a suggestion of online platforms to support supplier engagement and data collection.

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# Chapter 3: SECR Post-implementation review

## Overarching views on SECR

The objectives of the SECR framework are to increase awareness of energy costs and emissions within organisations by providing them with data to inform the adoption of energy efficiency measures and help reduce their impact on climate change. Furthermore, the policy aims to provide greater transparency and consistency of disclosures for investors and stakeholders and enable them to hold businesses to account for their energy use and emissions. Of the 82 respondents who answered the question on the extent to which the SECR Regulations had met their original objectives: 42 said that the SECR regulations are achieving their objectives, while 40 said the SECR regulations are partially achieving / not achieving their objectives.



Among those that expressed a positive view of SECR, the most reported benefit of SECR was enhanced transparency and awareness of energy and carbon emissions (n=28). There was a view that the positioning of the SECR reports within the directors' report in company annual accounts enables visibility of emissions data and falls within the purview of senior management within reporting entities. The standardised nature of the reporting was also seen as providing investors with consistent climate related data to inform decision making.

Respondents that expressed a positive view also mentioned that SECR has increased business self-awareness, encouraging a focus on their own emissions activity, and making a higher corporate priority of emissions reduction. Furthermore, there was a perceived benefit

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from the mandatory nature of the policy, this was felt to incentivise businesses who would not have previously reported their carbon footprint to do so.

A lesser mentioned view was the complementarity of SECR and the Energy Savings and Opportunity Scheme (ESOS), whereby the former helps to increase the visibility of GHG emissions year-on-year, and the latter helps in terms of identifying opportunities to make energy efficiency improvements in the business.

*“As the SECR data features in the Directors report, it falls under the scrutiny and remit of financial auditors and therefore also C-Suite, Board Level, and Senior Management within an organisation. The profile raising as a result will have led to increased awareness, knowledge, training, and investment within these areas, and likely an indirect reduction in energy and carbon.” (Reporting service provider)*

*“Of the SECR original objectives, stakeholders within (business) consider that the aims of increasing the transparency of energy and carbon-related matters for large companies by requiring disclosure of energy consumption and associated carbon emissions has been most successful as well as the integration of reporting requirements in-step with annual reporting disclosures from CRC.” (Reporting organisation)*

*“We believe that the regulations have increased awareness of climate change and encouraged businesses to take action to reduce their emissions. They have also provided valuable information to investors and other stakeholders about the environmental performance of businesses” (Trade association)*

Among those that expressed mixed views regarding the extent to which SECR had met its original objectives, comments centred on the view that due to the wider reporting landscape it was hard to disentangle the impacts of SECR, particularly in terms of driving emission savings. There was a view that other policies that exceed the requirements of SECR or that require the setting of targets, such as the voluntary SBTi, are more effective in driving emission savings. Several respondents also highlighted the view that SECR focuses on reporting without incentivising changes in behaviour/ emission reductions.

*“I currently do not feel that SECR really motivates us to reduce emissions and enact change. This information gets lost within our financial statements and I feel that this decreased visibility does not help in this respect.” (Reporting organisation)*

*“We have other targets and reporting which require us to reduce our GHG emissions. To date, financial implications (positive or negative) have been by far the main factor in determining our energy consumption and GHG emissions.” (Reporting organisation)*

*“The information collected and reported under SECR has not directly instigated changes in energy consumption or carbon emissions. Instead, our internal emissions reduction targets and ambitions, aligned with SBTi, have been the primary drivers for our efforts in this regard.” (Reporting organisation)*

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In addition, respondents felt that the reports may not be easily accessible in their current format within company annual accounts and may therefore not be sufficiently inspected by stakeholders. As discussed later in the report, there was a view that digital reporting could help to streamline the policy and ensure the data is more usable. Less prevalent recurring themes included the view that SECR adds to the administrative burden in a crowded policy landscape and given further changes and complexity including through the proposed ISSB endorsement, there is a need to consider the approach to SECR.

*“Overall, we feel that SECR regulations are partially achieving their original objectives. While many companies have improved their energy efficiency and been able to track this within reporting requirements, we do not think that this is purely due to SECR regulations. We feel that it is more likely that energy efficiency improvements are in a company’s best interest to help reduce costs.” (Investor/stakeholder)*

*“We think SECR is partially meeting its objectives in that it is ensuring that we document our energy reduction activities and ensuring C-suite and investors are aware of this activity. However, there is no direct tie in to net zero activity, meaning this activity is often seen as a check box disclosure rather than commitment to meaningful action.” (Reporting organisation)*

*“...SECR was introduced to streamline reporting, however the regulatory reporting landscape is expanding and reporting needs to be integrated to minimise the burden on organisations and prove actually useful.” (Reporting entity)*

35 respondents reported that there had been unintended effects of SECR. There was a view that there is sufficient latitude within the SECR Regulations such that entities in different sectors, of different sizes, approach their reporting very differently. Comparability of reports is undermined as a result.

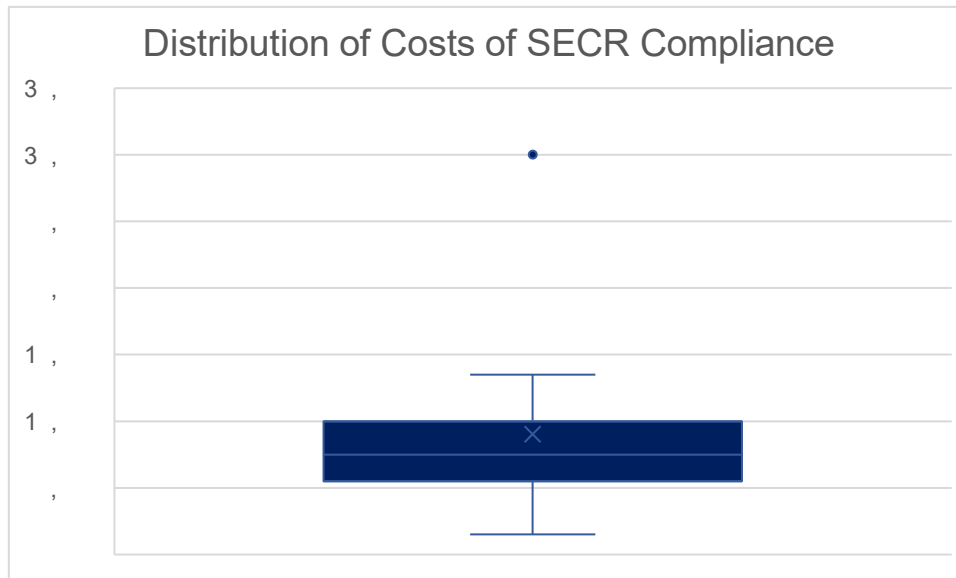
*“Because the SECR framework was not written to align with the GHG Protocol, there is considerable room for variation in methodology and reporting entities do not always explain clearly the methodology used or the reporting boundary applied.” (Reporting organisation)*

## Costs and benefits of SECR reporting

With regards to the costs of complying with the SECR requirements, a range of financial values and staff time estimates were provided. There was a view that cost will vary depending on the size, structure, and complexity of the business which explains the broad range of values cited. Costs tended to be higher for those that purchase technology solutions to assist reporting and have external verification of data which incurs consultancy costs. The values provided should be interpreted with caution as some respondents admitted that it was difficult to quantify the cost as it is spread across multiple people and processes; there was also a view that SECR compliance was absorbed as part of wider energy and carbon reporting undertaken by firms, so the values presented might not be attributed to SECR compliance alone.



In terms of monetary costs of compliance, a range of values were presented, with a low value of £1,500 per annum, through to an upper end value of £30,000 per annum. The most frequently mentioned value was £10,000 per annum.



Of those who answered in terms of FTE, the range was very broad, and it was unclear if the resource was dedicated solely to the production of SECR reports, or for broader energy and carbon reporting and management purposes. The range included 15 days of 1 FTE; 1-2 weeks of 1 FTE; 0.3 FTE; 2 FTE; and 5 FTE per annum.

*“There is no dedicated cost or resources allocated to SECR. SECR reporting is a byproduct of broader net zero data gathering that would happen regardless of SECR requirements.”*  
(Reporting organisation)

*“As a reporting consultancy, we can provide estimated project costs to deliver an SECR assessment. Our project costs range from £4,000 to £12,000 for an SECR project depending on the business size and structure. The cost increases with complexity, for example, with a high number of locations.”* (Reporting service provider)

*“SECR is only one of multiple carbon reporting requirements and so pulling out costs is difficult and out of context with resource demands for this activity. We have an energy and carbon reporting team of 2-3 FTE spread across these responsibilities, as well as other internal reporting, with additional management support and oversight.”* (Reporting organisation)

In terms of the main benefits of SECR, the most cited benefit was raising awareness of carbon accounting and emissions by providing annual data on company emissions. There was a view that SECR enabled awareness raising among senior leadership in particular, which may in part help to secure investment in terms of resource dedicated to managing energy use.

*“SECR compliance provides us opportunities for our business to collect and learn from our energy usage data. We have been able to develop a well-thought-out strategy for managing*

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*our energy usage, we have been able to save significant energy costs and reduce carbon emissions year on year across all our sites. It has also helped us to engage employees more easily, with tangible examples of the improvements we've made and the ways in which they can contribute.” (Reporting organisation)*

*“The requirement for mandatory reporting has had significant benefits in gaining leadership support and buy-in as our figures are reported publicly and within our annual accounts.” (Reporting organisation)*

*“Compliance with the current SECR regulations has delivered substantial benefits for our organisation. It fostered alignment between our sustainability and finance teams, breaking down silos and promoting a holistic approach to reporting. SECR compliance provided invaluable insights into our emissions reporting processes, enhancing our understanding and guiding our strategic and investment decisions.” (Reporting organisation)*

*“This has benefited our organisation by showing a high level of governance in Carbon Accounting. We believe firmly in being a transparent organisation and can visibly display in public our commitment to the Environment. It has also helped our business to attain the attention of Directors to support investment related to improving energy efficiency.” (Reporting organisation)*

Furthermore, positive reputational benefits were mentioned by respondents. For example, SECR reporting was seen to provide companies with positive evidence of their commitment to emissions reduction, satisfy the demands of stakeholders and investors, and enable comparison and benchmarking of data against other organisations.

*“Increased transparency of reporting, especially of UK emissions, and measurement of energy efficiency initiatives. It has also helped establish systems and processes for quantifying emissions outside of ETS.” (Reporting organisation)*

*“It also helps with transparency, accountability, reputation, investment in development programmes and makes the company more attractive to stakeholders. It also makes them comparable to other associations and helps to attract the partnerships that they want” (Reporting organisation)*

Respondents reported that SECR reporting had supported them to better understand the variety of their emissions output and potential efficiency improvements as well as to consider the practicalities of improving data quality and measurement. An occasional minority view was that SECR puts companies in a better position to bid for contracts, and that the mandatory nature of SECR makes the reported information more robust.

*“A more accurate picture of our energy consumption and GHG emissions and the steps we can take to reduce both of these. It has enabled us to take targeted action through adjustment of internal policies.” (Reporting organisation)*

*“The current SECR regulations have had several benefits. Firstly, it has encouraged companies to understand and report on their GHG emissions, which has in turn raised the*

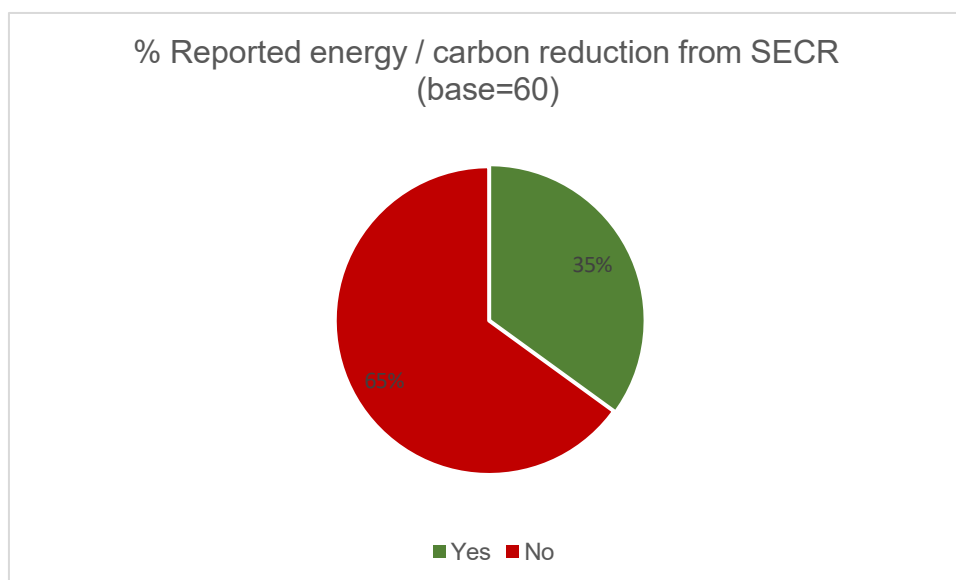
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*profile of the impact of operations in relation to GHG emissions across the business. It has forced internal conversations regarding emissions and data availability and quality, which has led to improved understandings, investment and resource into data capture and management. It has also encouraged a focus on energy consumption and associated emissions, and in turn the potential economic savings that could occur through energy efficiency measures.”*  
(Reporting service provider)

Several respondents who also report their Scope 1 and 2 emissions data on a voluntary basis as part of climate reduction targets such as SBTi or other reporting policies mentioned limited additional benefits through SECR reporting.

*“We have not seen any real benefits of reporting under SECR regulations, as we were already reporting this data voluntarily. In addition, going forward we do not see the benefits of SECR, as we are also reporting against the TCFD recommendations (and from 2023 the Mandatory Climate-related Financial Disclosures) and will be publishing our Climate Transition Plan at the end of 2023.”* (Reporting organisation)

Importantly there were mixed views regarding the extent to which SECR reporting had helped to reduce energy consumption and/or carbon emissions. Just under two-thirds (65%) of those who responded to this direct question in the call for evidence suggested that SECR had not led to a reduction in energy use or emissions in their organisation.



This was related to the view that emissions reduction activity was occurring in the organisation independent of SECR reporting, as part of cost savings, organisational objectives in terms of sustainability and carbon reduction, and other reporting policies. In terms of the latter, there was a view that it was hard to disentangle the carbon reduction impacts of SECR from other similar disclosure policies.

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*“Not directly because we have other targets and reporting which require us to reduce our GHG emissions. To date, financial implications (positive or negative) have been by far the main factor in determining our energy consumption and GHG emissions.” (Reporting organisation)*

*“I currently do not feel that SECR really motivates us to reduce emissions and enact change. This information gets lost within our financial statements and I feel that this decreased visibility does not help in this respect. We are also obliged to comply with ESOS, and I feel this standalone setup, with more stringent rules relating to enacting change coming into effect, is a better way to ensure people do actually make the change rather than just using it as a box ticking exercise.” (Reporting organisation)*

*“The organisation is on a journey to reduce footprint and become more sustainable. Credible progress has been made, but we wouldn’t attribute this wholly to SECR – there are a significant number of other market factors that are driving this change.” (Investor/stakeholder)*

*“This data, without wider carbon reduction targets, frameworks and strategy, did not make a material difference in driving a reduction in emissions/energy consumption alone.” (Reporting organisation)*

The remaining proportion of respondents (35%) expressed a positive view on the impact of SECR on carbon reduction. These responses were in general slightly less detailed, and it is therefore difficult to comment on the extent of respondents’ perceptions of the causal relation between SECR and energy efficiency and carbon reduction. Respondents noted the increased understanding of their emissions through a breakdown of their consumption and carbon emissions, the ability to identify and address carbon ‘hotspots’ in their organisation, and to track and understand consumption. There was also a view that the need to report SECR within annual reports had strengthened the scrutiny and assurance of the data and need for accreditation to standards such as ISO14064.

*“The system has helped us to track and understand where the consumption and emissions are generated, we are implementing the corrective actions to reduce them.” (Reporting organisation)*

*“Monitoring, measuring and reporting of emissions is a pre-requisite for implementing emission reduction actions. A company cannot reduce emissions where they are not measured. Reporting in accordance with the SECR has facilitated the setting of reduction targets.” (Reporting organisation)*

*“SECR helps to enhance the transparency and disclosure of energy and carbon-related information, and drive business actions towards energy efficiency and low carbon technologies. We provide a detailed breakdown of our carbon emissions and energy consumption, as well as a waterfall diagram to show year on year driving factors.” (Reporting organisation)*

In terms of the impact of SECR in terms of investor decision-making, responses focused on the impact of climate reporting in general terms, and the increasing recognition of environmental factors constituting material financial risk. Those who report engaging with the environmental

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data in SECR noted that it is shared with analysts and fund managers, and is factored into valuations, consideration of risks, and investor recommendations. They also note, though, that data from a range of sources are considered, not just SECR; and not all respondents agreed that SECR data is considered at all. Moreover, while there was an acknowledgement that SECR data can facilitate industry comparisons, alignment with the ISSB standard would facilitate a consistent methodology used across climate related disclosures and therefore greater comparability of data.

*“To the extent that SECR exists to require companies to report their annual emissions this information has been of increasing importance to investment managers. A measure of the potential interest might be taken from the current level of commitment to net zero initiatives. For example, the Net-Zero Asset Owner Alliance (NZAOA) reports that its 86 members – all institutional investors – are responsible for \$11trn in assets under management. To date, investment managers with more than £7.5trn of assets under management in the UK have made the Net Zero Asset Managers initiative (NZAM) commitment.” (Investor / Stakeholder)*

*“We have found information reported under SECR to be materially useful for investment decisions. This is particularly the case where we can supplement this information with other information from the company on its capital allocation decisions and areas of innovation and competitive ‘edge’ it is pursuing.” (Investor / Stakeholder)*

*“Our understanding is that investors do not typically rely on the information published pursuant to the SECR. Rather they are likely to embed provisions inside letters and/or investment agreements which are bespoke to the disclosure and reporting requirements they face (typically the FCA ESG Sourcebook, SFDR and CSRD) which then dictates their own requirements.” (Trade association)*

## SECR Reporting: Population, Location, Taxonomy

There were mixed views on the extent to which SECR is targeting the right population. On the one hand, the population was felt to be appropriate as it focused on larger companies which have the resources to fulfil the requirements (n=32). The other perspective was that there should be a widening of the scope of eligible companies (n=29), to provide more consistent data on the energy and carbon impacts of UK businesses.

*“As around 44% of UK non-household scope 1 emissions are produced by small-medium sized businesses, the thresholds do not represent a large enough proportion of businesses contributing to UK emissions. We believe that lowering the current thresholds to consider any business that is required to file financial accounts would expand SECR to cover a large proportion of UK business emissions.” (Reporting organisation)*

*“Companies which are not sole traders and have a balance sheet of over £10 million should have the applicable funding available to provide SECR reporting, whether that be performed internally or via a third-party.” (Investor/stakeholder)*

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*“To get an accurate picture of emissions across the UK, it almost feels necessary to scope all organisations in. It could be that there are varying expectations depending on the organisation's size, but minimum requirements for all”. (Reporting service provider)*

A similar proportion of respondents (n=30) expressed the view that the SECR requirements should be made consistent for large unquoted and quoted companies, as the former may have a high proportion of global emissions which are not currently captured in SECR reporting.

*“Large unquoted need to be brought fully under scope of the SECR this will provide all companies with better clarity on their Scope 3 emissions calculations.” (Investor / Stakeholder)*

*“Organisations should report on CO2e based on size (turnover and employees), irrespective of whether they are listed/quoted, private/public etc.” (Reporting organisation)*

Twice as many respondents agreed that the location of SECR disclosures should remain within the company's annual report (n=51), as those that disagreed (n=25).

*“The inclusion of Scopes 1 and 2 data within the Annual Report is sensible, particularly as these metrics are contained within TCFD recommendations and therefore listing rules for many organisations.” (Reporting organisation)*

*“SECR should be kept as part on the annual report, with the acknowledgement that producing additional sustainability documentation could be beneficial for many organisations. Retaining SECR reporting in the annual report raises its importance on par with financial metrics and establishes it as an annual norm which is important for normalising decarbonisation objectives and metrics moving forward.” (Reporting organisation)*

For those that suggested that SECR should be placed in an alternative location, the key reasons included: increasing the visibility of SECR disclosures through more searchable formats such as a database; and reducing the scope of non-financial information contained within annual reports, as particularly for unquoted companies the information is less likely to be considered by investors and financial institutions.

*“Inclusion in the annual report allows for some auditory oversight. Establishment of a publicly available SECR database in addition could streamline access to data and encourage greater usage of SECR disclosures year on year, including the setting of organisational targets, improved transparency, and comparability within sectors.” (Reporting organisation)*

There were 41 responses concerning awareness of the SECR taxonomy. Sixteen respondents reported that they are aware of the option to use the SECR taxonomy, while 25 answered that they were not aware of the SECR taxonomy. In general, the follow-up open-text component of the question contained little elaboration.

Summary of responses from those who reported being aware of the taxonomy:

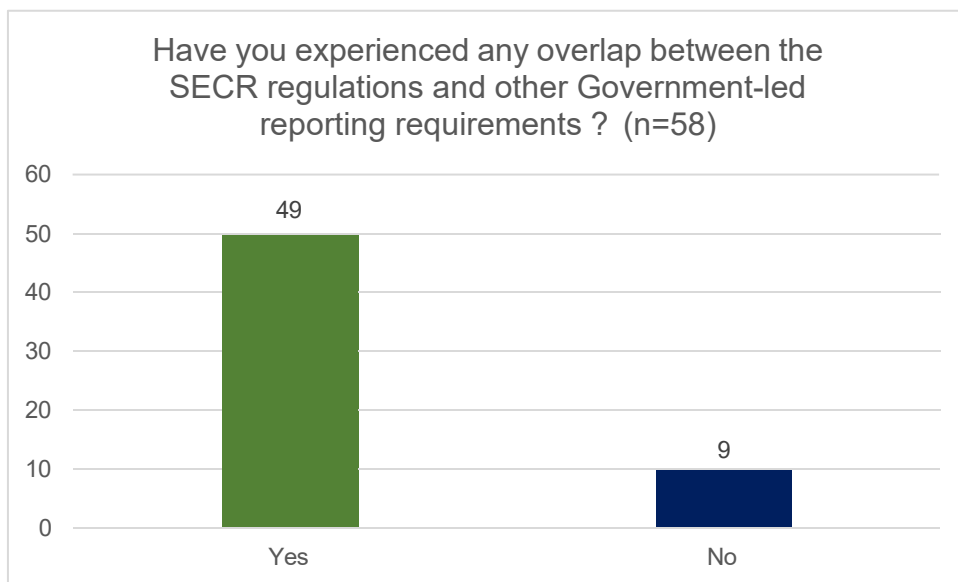
Have used / do use	2
Will use / planning to use / considering it	4
Never used / no plans to use	10
Total	16

In terms of resources used to comply with the SECR requirement, the most cited resources include the GHG Protocol, and Government Conversion Factors. The bespoke SECR chapter in the Environmental Reporting Guidelines was mentioned by fewer respondents (n=12).

Tool / resource / methodology cited by respondents	Count
GHG Protocol	53
Government Conversion Factors BEIS conversion factors; DESNZ conversion factors; DEFRA conversion factors; DEFRA EEIO factors; conversion factors by SIC code	36
ERG guidance	12
Conversion factors - unspecified (vs UK Gov./DEFRA conversion factors, etc.)	10
Own tools created: Higher Education Supply Chain Emissions Tool; Alliance for Sustainability Leadership in Education (EAUC) bespoke tool; Domestic and International Student Relocation Travel emissions calculator; 'Global Report' - Veolia's environment management system; eSight; own tool – unspecified	9
External / paid-for sources Verification from auditor; assurance partners; consultant; EcoVadis; Small World Consultancy; Eco Invent; Carbon Disclosure Project (CDP); Compare Your Footprint;	7

## Streamlining / overlap with other requirements

Forty-nine respondents reported that SECR overlaps with other reporting requirements, compared with 9 respondents that reported that there were no overlaps.

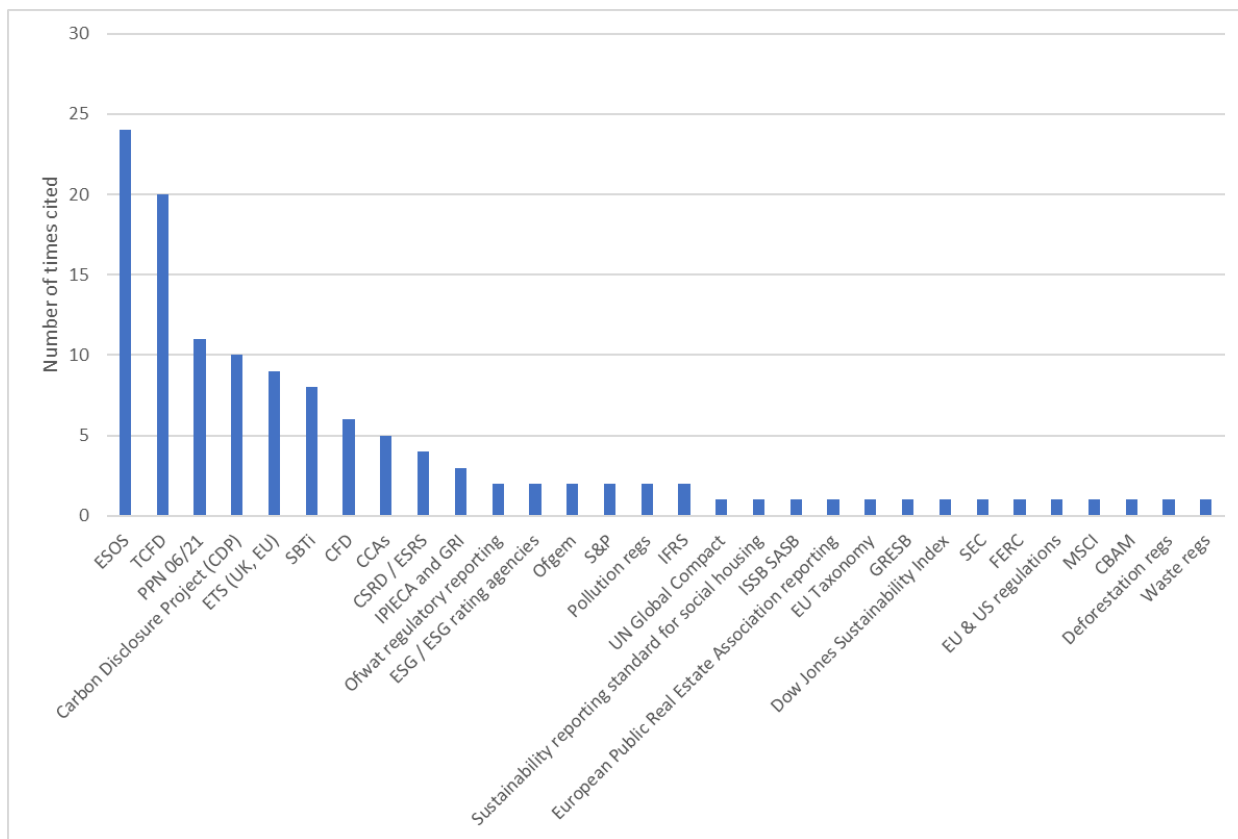


In terms of a perceived overlap between SECR and other specific regulatory frameworks and requirements, respondents cited ESOS, Taskforce on Climate-Related Financial Disclosures (TCFD), Procurement Policy Note (PPN) 06/21, and CDP most often. The open-text responses generally consisted of confirmation of the perception of regulatory and administrative overlap between requirements, though some respondents also highlighted the opportunity to review the reporting landscape, removing redundant elements / regimes. A few respondents expressed the view that the ISSB standards are increasingly influential internationally, and that UK developments in this space will need to align with ISSB standards as a result. Furthermore, there was a view that multinational companies are subject to an array of reporting requirements, and the international reporting landscape should be considered when reviewing UK reporting policies.

*“For member companies with global operations, government-led reporting requirements of GHG emissions have been in place for many years – for example reporting requirements for direct emissions (equivalent to Scope 1), as well as the combustion of products (equivalent to a portion of Scope 3, Category 11) imposed by environmental regulators in the UK, Europe and the U.S.” (Trade association)*

*“Most of the mandatory and voluntary disclosures that large organisations report under (CDP/SECR/ SEC / FERC / Ofgem / SBTi / GRI / S&P / UKETS etc) require similar information and there is significant overlap with all of these reporting frameworks.” (Reporting organisation)*





In terms of the policy overlaps, there was a perceived burden in terms of the inconsistencies of the data that was required under each policy, for examples, in terms of the inclusion of fuels and gases, variations in the scopes reported, and differences in reporting on company transport, and reporting boundaries.

*“Ofwat also have a compulsory annual regulatory reporting requirement for GHG emissions in their annual performance reporting framework for the water sector. There is considerable overlap, and, for our organisation, there is a different reporting boundary which requires additional analysis.” (Reporting organisation)*

*“Our requirement to submit an annual Carbon Reduction Plan (PPN 06/21) that covers three of our entities that are also in scope of SECR means this information is reported to the UK Government twice in a year. This fully captured Scope 1 and 2 for these entities and the business travel Scope 3 sub-category. The PPN 06/21 requirement currently covers an additional four Scope 3 sub-categories.” (Reporting organisation)*

In terms of streamlining SECR, a range of options were spontaneously reported, the responses focused on the role of IT and data collection, and policy streamlining on account of the perceived overlaps with SECR.

In terms of the adoption of digital solutions for reporting, there was a view that Government should establish an online portal to upload SECR data. Digital reporting was seen to standardise SECR reports, with the further potential benefit of enabling automation of reporting

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for SECR and other similar reporting requirements e.g. ESOS and enabling the data to be searchable and used more widely.

*“Create a SECR portal that we register for that is linked to Company Number. We then input the information and upload the evidence. This can then be searched by everyone so we can make different supplier decisions on purchasing products.” (Reporting organisation)*

*“A single access point platform, such as the EU’s single access point that is under development, could be useful for companies to report their emissions and energy consumption data and progress. It also allows public availability of financial and sustainability information. A collaboration could be foreseen with the EU on sharing and leveraging entities’ data in the EU and UK.” (Reporting service provider)*

*“Standardizing the format and technology used for reporting is another crucial aspect. A consistent reporting format facilitates comparability across organizations, making it easier for stakeholders to analyse and interpret the reported data. By promoting a standardized approach, the government can enhance the efficiency of data collection and reporting.” (Reporting organisation)*

*“Centralised platform or tool may help to collate the data which is originating from multiple various sources. For example, there is overlap with ESOS so the data collected there could feed directly into the SECR report.” (Reporting organisation)*

There was also specific mention of the use of digital solutions to support automation of the broader pipeline of data inputs, adoption of energy management tools and to assist in the verification of data.

*“The Government should support methods which reduce time spent on collecting and calculating footprints, such as automated data collection from smart meters.” (Reporting service provider)*

*“Use the BEIS/DESNZ platform as an automated verification tool. Develop an interactive workbook where SECR figures can be easily auto calculated and submitted and checked.” (Reporting organisation)*

On policy issues, a predominant theme was the importance of aligning with major frameworks and reporting standards, thereby minimising overlap. Frameworks and standards cited most often included TCFD, ESOS, PPN 06/21, and IFRS S2. Respondents noted that streamlining should lead to the avoidance of duplicating data, or of reporting for multiple policies measuring similar things.

There was specific mention of the need to consider broader policy alignment in relation to SECR, TCFD and potential ISSB requirements. It was felt that upcoming decision points concerning ISSB provided a window to consider the broader landscape and minimise reporting overlaps.

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*“Making multiple small amendments to different schemes misses the opportunity to properly align emissions reporting. It may be the right time to carry out a wholesale review of the outcomes the UK and DESNZ wants from reporting in general. Many companies in scope of SECR and ESOS would also be in scope of these climate-related financial disclosures (TCFD, IFRS, ISSB).” (Trade association)*

*“A flexible pragmatic approach could be taken as companies implement the IFRS S1 and S2 standards in advance of their mandatory adoption. For example, companies who report under the IFRS S1 and S2 standards should not also be required to report under SECR.” (Reporting organisation)*

*The IFRS S2 requirements are the right solution for UK reporters – particularly at the larger end of the market - and should be made available for use as soon as is practicable. This should be coupled with proportionate requirements for other companies which are consistent with the IFRS S2 methodology to facilitate comparable, understandable reporting throughout the value chain. It does not make sense for SECR to be updated in a way that duplicates or overlaps with the IFRS S2 emissions reporting requirements.” (Trade association)*

Furthermore, there was frequent mention of the overlaps with ESOS and SECR, and considerations of how these policies could be better aligned and / or merged.

*“Whilst targeting different criteria, we find there is overlap with ESOS and SECR reporting. Whilst ESOS is focused on identifying opportunities, we believe there is opportunity to merge together to reduce workload and costs for organisations.” (Reporting organisation)*

*“Any Streamlining opportunity should be placed in consideration of other UK compliance schemes large organisations are required to undertake e.g. ESOS and PPN 06/21.” (Reporting organisation)*

Another area of streamlining was in terms of reporting standards, and there was a suggestion to ensure SECR is aligned with broader international standards such as the Global Reporting Initiative and the Carbon Disclosure Project.

*“We would recommend working towards a single sustainability disclosure standard, with our current position, metrics and targets and our forward-looking Climate Transition Plan included. Regulations are progressing at different paces; therefore, we would benefit from streamlined reporting requirements from the Government, taking into consideration the requirements of the ISSB and other expected reporting requirements (e.g. nature-related and reporting on social impacts).” (Reporting organisation)*

Among other miscellaneous suggestions, the most common coalesced around reporting requirements being tailored to specific sectors, and the provision of guidance and examples of best practice. A minority of respondents expressed the view that SECR is sufficiently streamlined in its current form.

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## List of respondents

We have not included the names of respondents where these are considered personal data under data protection laws.

### Reporting Organisation

EDF  
Microsoft  
Mazars  
Bank of America  
Essar Oil (UK) Limited  
Altair Ltd  
AtkinsRealis  
Bupa Global and UK  
PwC  
Aviva  
National Gas Transmission Plc  
Airbus Operations Ltd  
CEMEX  
Beyond Global Ltd  
For Farmers UK  
Sopra Steria  
Hoare Lee  
Lloyd's of London  
London Stock Exchange Group (LSEG)  
MHA  
Mitie  
Oatly  
Sizewell C  
Sage  
Transport for London (TfL)  
Zenith  
Associated British Foods (ABF)  
Thames Water  
Verco Global  
Too Good To Go  
UCL Sustainability Team  
The Institute of Chartered Accountants of Scotland (ICAS)  
UPS  
WSP  
WWF UK  
Enerprise Rent-A-Car UK Ltd  
University of Exeter - Circular Economy Hub  
Barclays  
Sysco  
BFF Ltd  
Clevedon Fasteners Ltd  
Fugro GB  
Wedge Group Galvanizing Ltd  
H&T Group  
Glise UK

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GoCodeGreen  
KA2 Ltd  
Punch Pubs & Co  
Marshalls Plc  
Port of Dover  
Warwick Manufacturing Group  
United Utilities Group Plc  
Genuit Group Plc  
Lendlease  
MEDLOG UK Ltd  
Utilita Energy  
ISS UK&I  
Balfour Beatty plc  
Neptune Energy  
Places for People  
Bristol City Council  
Land Securities Group plc  
Laing O'Rourke  
Lloyds Banking Group  
Institute of Accountants and Bookkeepers  
Enfinium LTD  
FCC Recycling (UK) Ltd.  
Ernst & Young LLP  
Asahi UK  
Zurich Insurance  
National Grid  
Mott MacDonald Group Limited  
The Berkeley Group  
Tata Steel  
ROCKWOOL Ltd  
Amey  
Scania GB Limited  
Veolia ES (UK ) Ltd  
Suez recycling and recovery UK

### **Reporting Service Provider**

Cogo  
Deloitte  
Envantage  
KPMG  
Bioregional  
CEN-ESG  
SLR Consulting Limited  
Risilience and the Cambridge Centre for Risk Studies  
Sustainable Footprints Ltd  
Auditel UK Ltd  
Agriculture and Horticulture Development Board (AHDB)  
CarbonChain.io Limited  
Altair Ltd  
IT systems research  
Mobilityways Limited  
SECR Tech  
WRAP  
Altruistiq  
Iceberg Data Lab

## **Trade Association**

Logistics UK  
Carbon Accounting Alliance  
UK Chamber of Shipping  
Ulster farmers union  
ACCA  
ACE and EIC  
American Property Casualty Insurance Association  
BVCA  
The Startup Coalition  
CBI  
CCSA  
Construction Products Association  
CRUF  
ABI  
CLA  
Food & Drink Federation  
Federation of Small Businesses  
Federation of Wholesale Distributors  
ICI Global  
IEMA  
Institute and Faculty of Actuaries (IFoA)  
International Regulatory Strategy Group (IRSG)  
Make UK  
National Museum Directors' Council (NMDC)  
National Pig Association (NPA)  
Quoted Companies Alliance (QCA)  
British Retail Consortium  
Chemical Industries Association  
National Federation of Roofing Contractors (NFRC)  
Institute of Chartered Accountants in England and Wales  
BEAMA  
Agricultural Industries Confederation (AIC)  
British Beer & Pub Association (BBPA)  
The National Farmers' Union (NFU)  
techUK  
The Law Society  
TheCityUK  
UK Finance  
The BVRLA  
The UK Environmental Law Association (UKELA)  
Mineral Products Association (MPA)  
Advertising Association  
The Society of Motor Manufacturers and Traders (SMMT)  
Scotch Whisky Association (SWA)  
Fuels Industry UK  
The Investor Relations Society  
Confederation of Paper Industries  
WBCSD  
CFA  
Timber Development UK

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EAUC (Environmental Association of Universities and Colleges)

Green Alliance

UK Green Building Council

The Investment Association

IIGCC

Sustainability for Housing

Confederation of Paper Industries

### **Investor/Stakeholder**

CCLA Investment management

Border to Coast

Federated Hermes Ltd

Baillie Gifford & Co

HSBC Bank (UK) Pension Scheme

Dimensional

Legal & General

Lloyd's Market Association (LMA)

Redington

T. Rowe Price Group

Storebrand Asset Management

Wesleyan Assurance Society

### **Other**

Bankers for Net Zero

CoMoUK

E3G

Greenpeace

Oxford Net Zero

Carbon Mark project / Escapade CIC

Interdisciplinary Circular Economy Centre for Mineral-Based Construction Materials (ICEC-MCM)

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