



**The Hundred Group**  
of Finance Directors

## Investor Relations and Markets Committee

By email: [ghgreporting@defra.gsi.gov.uk](mailto:ghgreporting@defra.gsi.gov.uk)

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DEFRA  
Area 5C  
Ergon House  
Horseferry Road  
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SW1P 2AL

5 July 2011

Dear Madam

### **Measuring and reporting of greenhouse gas emissions by UK companies: a consultation on options**

We are pleased to submit our views on the above consultation. In our response, we have not sought to answer all the questions raised. We have focused instead on our experiences as preparers of financial statements, including our interactions with investors and other stakeholders.

#### **Who we are**

The Hundred Group is a non-political, not-for-profit organisation which represents the finance directors of the UK's largest companies, with membership drawn mainly, but not entirely, from the constituents of the FTSE100 Index. Our aim is to contribute positively to the development of UK and International policy and practice on matters that affect our businesses, including taxation, financial reporting, corporate governance and capital market regulation. Whilst this letter expresses the view of The Hundred Group of Finance Directors as a whole, they are not necessarily those of our individual members or their respective employers.

#### **Our views**

1. Narrative reporting, and in particular the disclosure of non financial information in Annual Reports, is currently being considered by a number of bodies, including the European Commission<sup>1</sup>, the International Integrated Reporting Committee<sup>2</sup> and the Department for Business, Innovation and Skills<sup>3</sup>.
2. Whilst greenhouse gas (GHG) emissions have not specifically been the subject of these consultations, it is important that the disclosure framework in this area is considered holistically with other aspects of narrative and non financial reporting. Indeed a common criticism of the current disclosure regime for Annual Reports is that additional

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<sup>1</sup> 2010 public consultation 'Disclosure of Non-financial information by companies'

<sup>2</sup> A public consultation is expected to be released in the third quarter of 2011

<sup>3</sup> 2010 public consultation 'The Future of Narrative Reporting'

requirements have been bolted on over a number of years in response to specific issues, resulting in the presentation of extensive information in a manner that lacks coherence.

3. Our members take very seriously their corporate, social and environmental responsibilities, particularly GHG emissions, not least because to minimise their environmental impact makes sound commercial sense, both from a cost and a reputational point of view. We are supportive of initiatives that promote a greater awareness of how we view this.
4. The majority of our members already disclose information on the environmental impact of their companies, on the basis that this information is relevant to a holistic understanding of their business performance and is important to their investor community. The methods of disclosure vary, with some including it in Annual Reports, some presenting a separate Corporate Social Responsibility Report, whilst others communicate this information via their corporate websites.
5. In our view, the Annual Report should include information required to fully understand the historic performance of a company. This includes information over a company's strategy, risks faced, the mitigation of these risks and subsequent analysis of performance. In certain circumstances this may be enhanced by disclosure of non-financial data. For example, an electricity generating company may wish to report on its level of GHG emissions, whereas a company with agricultural operations may report alternative environmental information such as water consumption which would be more relevant to the risks identified and the reputation of that company. The agricultural company may, however, decide to provide information on GHG emissions to shareholders and investors through another medium, such as its website, as the understanding constitutes a part of, but not a material part of, its business.
6. What is key is that the disclosure framework should recognise that a 'one size fits all' approach is unlikely to result in the presentation of higher quality, more relevant information in a manner most suited to its audience. Consequently, whilst we are supportive of mandating the disclosure of GHG emissions, in our view the legislation should specifically cater for the option of disseminating information using a variety of media and should not focus solely on disclosure in the Directors' Report.
7. Recognising our concerns over the vehicle used to make the proposed disclosures, our favoured option within the mandatory disclosure framework is your option four (mandate disclosure for all companies whose UK electricity consumption exceeds a threshold) on the basis that this will result in a meaningful disclosure of information only for those companies for whom GHG emissions are an important component of understanding their business performance.
8. In response to your question on assuring any GHG data presented, we strongly support the view that the Directors of the Company should be clearly accountable for the accuracy, integrity and balance in non-financial reporting, through the auspices of the Audit Committee, who may rely on the internal audit function to provide a level of comfort.
9. We do not believe that information outside the financial statements should be included in the remit for statutory audit, however we recognise that in certain circumstances stakeholders may benefit from non financial data being externally assured, either on a 'reasonable assurance' or limited assurance' basis depending on the identified need. A voluntary code which permits a separate assurance engagement – rather than an 'audit' engagement – would be more appropriate and allow a more tailored approach.

Please feel free to contact me if you wish to discuss the views expressed in this letter.

Yours sincerely

Robin Freestone  
*Chairman*  
*Hundred Group – Investor Relations & Markets Committee*