

Climate Disclosure Standards Board guidance on UK mandatory GHG emissions reporting

Using the CDSB Framework and CDP
Climate Change Information Request to
help UK quoted companies comply with
greenhouse gas emissions reporting


CDSB guidance on GHG emissions reporting

The amendment to the UK Companies Act 2006 (Strategic Report and Directors' Report) came into force on 1 October 2013⁽¹⁾ and among other things, the Regulations:

- Amended Part 15 of the Companies Act by removing the requirement to produce a business review and introducing the requirement for UK quoted companies to produce a Strategic Report for each financial year; and
- Introduced the requirement for quoted companies to disclose their GHG emissions in their directors' report, or if they are of strategic importance, in the Strategic Report.

Guidance issued by DEFRA⁽²⁾ refers to the CDSB Climate Change Reporting Framework⁽³⁾ as one of the standards that can be used to help comply with the Regulations. This guidance shows which sections of the CDSB Framework and the CDP climate change information request can be used to help comply with the UK Regulations.

This guidance does not set out all of the amended or new requirements in the Regulations. It focuses on requirements that relate directly or indirectly to reporting on GHG emissions and climate change. The guidance is designed to help companies not only to comply with the regulations on GHG emissions reporting, but also to provide contextual and other information that explains the GHG emissions results and how the company is managing risks and opportunities associated with climate change.

DISCLOSURE REQUIREMENT		UK Companies Act – scope of requirement	Where ⁽⁴⁾	Regulations reference	CDSB Framework (Edition 1.1) Title of section & paragraph number	CDP Climate Change Information Request (2014) Title of question & question number
1. Strategy, review of business & governance 	A description of the company's strategy	Quoted companies	SR	414C(8)(a)	Management perspective 2.8 - 2.10	Risk management approach and business strategy CC2.1 & CC2.2
	A fair review of the company's business including a balanced and comprehensive analysis of the company's business during the year and the position at the end of the year	All companies ⁽⁵⁾	SR	414C(2)(a) & (3)	Strategic analysis 4.6 – 4.8 Management actions 4.12 – 4.13	Targets and initiatives CC3.1 – CC3.3
	Governance				Governance 4.16 - 4.17	Governance CC1.1 & CC1.2
	Future prospects as well as past performance				Future prospects & past performance 2.16 – 2.17 Future outlook 4.14 – 4.15	

⁽¹⁾ The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, available at [<http://www.legislation.gov.uk/uksi/2013/1970/made>].





⁽²⁾ Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance, 2013, available at [<https://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance>]

⁽³⁾ CDSB (2012) Climate change reporting framework v1.1, available at [<http://www.cdsb.net/climate-change-reporting-framework>].

⁽⁴⁾ SR = Strategic Report; DR/SR = Directors' Report or Strategic Report. The Regulations anticipate that the information concerned will be disclosed in the directors' report unless the directors consider that the information is of such strategic importance that it should be disclosed in the Strategic Report. See 414C(11) and note Part 3 paragraph (7)(3)(a) which states that where a company has chosen to set out in the company's strategic report information required to be contained in the directors' report, it shall state that it has done so and in respect of which information it has done so.



⁽⁵⁾ All companies except those entitled to the small companies' exemption – 414A(2) and 414B.

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2. Trends, risks & opportunities affecting the business 	A description of the principal risks and uncertainties facing the company	All companies ⁽⁵⁾	SR	414C(2)(b)	Risks 4.9 & 4.11	Risks CC5.1
	Main trends and factors likely to affect the future development, performance and position of the company's business	Quoted companies to the extent necessary	SR	414C(7)(a)	Opportunities 4.10 – 4.11	Opportunities CC6.1
3. Impacts 	Information about environmental matters including the impact of the company's business on the environment	Quoted companies to the extent necessary	SR	414(7)(b)(i)	Management perspective 2.10	
4. Key performance indicators 	Analysis of the development, performance or position of the company's business using financial and other key performance indicators relating to environmental matters	To the extent necessary ⁽⁶⁾	SR	414C(4)	Performance measures and indicators 2.36 – 2.38	
5. Boundary 	For groups, the strategic report must be a consolidated reporting relating to the undertakings included in the consolidation	All companies ⁽⁵⁾	SR	414A(3)	Organizational boundary 2.20 – 2.21 and 2.24 – 2.25 Segmentation 2.41 – 2.42 Boundary setting for GHG emissions reporting 4.23 – 4.26	Boundary CC8.1
	Greenhouse gas emissions from activities for which the company is responsible	Quoted companies	DR/SR	Part 7 paragraph 15(2)		

⁽⁶⁾ Information must be included to the extent necessary for an understanding of the development, performance or position of the company's business

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6. GHG emissions results 	Annual quantity of GHG emissions in tonnes of carbon dioxide equivalent from the combustion of fuel and the operation of any facility	Quoted companies	DR/SR	Part 7 paragraph 15(2)(a) &(b)	GHG emissions content requirements 4.29 Contextual disclosures 4.31 c - i Segmentation 4.32	Scope 1 GHG emissions data CC8.2 Scope 1 GHG emissions breakdown CC9.1 – CC9.2
	Annual quantity of GHG emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity, heat, steam or cooling by the company for its own use	Quoted companies	DR/SR	Part 7 paragraph 15(3)	GHG emissions content requirements 4.29 Contextual disclosures 4.31 c - i Segmentation 4.32	Scope 2 GHG emissions data CC8.3 Scope 2 GHG emissions breakdown CC10.1 – CC10.2
7. Conformance 	Where it is not practical to include GHG emissions information required, state what information is not included and why	Quoted companies	DR/SR	Part 7 paragraph 15(4)	Statement of conformance 2.22 – 2.23	Sources not included in disclosures CC8.4
					Incomplete & uncertain information 3.19	Data accuracy CC8.5
8. Methodologies used for reporting <div style="border: 1px solid black; padding: 5px; width: fit-content;"> $\text{GHG (\%)} = \frac{X - Y}{Z} \times 100$ </div>	The methodologies used to calculate the GHG emissions information	Quoted companies	DR/SR	Part 7 paragraph 16	Standards, policies and organizational boundary used for preparing information 2.24 – 2.25	Methodology CC7.2 – CC7.4
					Recognized GHG emissions reporting schemes 4.20	
					Contextual disclosures 4.31.a&b	

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9. Intensity metric 	At least one ratio which expresses the GHG emissions in relation to a quantifiable factor associated with the company's activities	Quoted companies	DR/SR	Part 7 paragraph 17	Normalized GHG emissions 4.30	Emissions intensity CC12.2 – CC12.4
10. Reporting period 	Reporting period for GHG emissions and statement if the period for which GHG emissions information is reported is different from the period covered by the Directors' Report	Quoted companies	DR/SR	Part 7 paragraph 19	Reporting period 2.18 – 2.19	Reporting year CC0.2
11. Year on year reporting 	Except in the first reporting year state information required for the reporting year and the preceding financial year	Quoted companies	DR/SR	Part 7 paragraph 18	Consistent reporting over time 2.12 – 2.15 Comparative analysis 2.39 – 2.49 Movements in GHG emissions over time 4.19.2 and 4.33	Base year CC7.1 Emissions history CC12.1

1) Continuous improvement

CDSB's Framework is developed through a process of continuous improvement. This involves updating the Framework based on experience of working with it and in response to developments in corporate reporting practice.

2) CDP climate change information request

This guidance aligns with the CDP 2014 climate change information request, available on the CDP website⁽⁷⁾ from December 2013. This guidance will be updated to reflect any future departure from the existing numbering.

3) Relationship between GHG emissions/climate change and other forms of corporate disclosure

Most of the disclosure requirements listed in points 1 – 11 above are shared by the Companies Act amendments and new provisions, by the CDSB Framework and the CDP questionnaire. In some cases, such as 'governance' and 'future prospects and past performance' requirements under '1. Strategy, review of business & governance', the disclosures may appear to be an additional request by the CDSB Framework. However, the CDSB Framework adopts relevant principles from other forms of corporate reporting where they help to make GHG emissions and climate change-related information more understandable. For example, the International Financial Reporting Standards' (IFRS) states that "management commentary should include forward-looking information when it is aware of trends, uncertainties or other factors that could affect the entity's liquidity, capital resources, revenues and the results of its operations..."⁽⁸⁾. As management commentary normally forms part of the package of information in which the directors' report and financial statements are presented, the CDSB Framework adapts the IFRS Practice Statement⁽⁹⁾ to encourage disclosures about trends and factors related to climate change, both short/long term that are likely to affect management's view of the organization's strategy. Similarly, recognizing that governance disclosures are required under the UK Corporate Governance Code⁽¹⁰⁾ and other provisions, the CDSB Framework adapts those requirements to encourage disclosures about the governance and oversight of climate change-related issues.

4) Principles that maximize the usefulness of disclosures

In addition to content requirements, the CDSB Framework sets out principles and characteristics that should be applied to disclosures so as to maximize their usefulness to investors. These are based on the Qualitative Characteristics of Useful Financial Information set out in the IASB's Conceptual Framework for Financial Reporting. The principles include:

- a) Make disclosures on a consistent basis so that they are comparable from period to period with an entity and between entities (paragraphs 2.12 – 2.15);
- b) Provide **relevant** information (paragraphs 3.7 – 3.12);
- c) That is **complete, neutral and free from material error** (paragraphs 3.13 – 3.19); and
- d) Understandable (paragraph 2.28);
- e) Verifiable (paragraph 2.29); and
- f) Clear and straightforward (paragraphs 2.30 – 2.31); and
- g) Explains links between climate change-related information and information in financial statements (paragraphs 2.32 – 2.33 and Regulations paragraph 414C(12)).

5) Other commonly reported information

In addition to the information listed in the 'disclosure requirements' column of the table above, companies often report on other matters such as mitigation activities or GHG emissions associated with their supply chains (Scope 3 GHG emissions) and the way in which stakeholder engagement informs the content of their disclosures. Although not required by law, companies should refer to the CDSB Framework and the CDP information request to consider these and other types of information that might be of strategic importance to the company and should therefore be disclosed in a strategic or directors' report.

⁽⁷⁾ CDP climate change information request 2014, available at [<https://www.cdproject.net/en-US/Respond/Pages/carbon.aspx>]

⁽⁸⁾ IFRS Practice Statement on Management Commentary paragraph 18

⁽⁹⁾ IFRS (2010) Practice Statement, available at [<http://www.ifrs.org/Current-Projects/IASB-Projects/Management-Commentary/IFRS-Practice-Statement/Pages/IFRS-Practice-Statement.aspx>]

⁽¹⁰⁾ FRC (2012) UK Corporate Governance Code, available at [<http://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.aspx>]

The Climate Disclosure Standards Board (CDSB) is an international non-governmental organization committed to the integration of environmental information into mainstream corporate reporting.

We advance our mission by acting as a forum for collaboration on how existing standards and practices can be supported and enhanced so as to link financial and environmental reporting, respond to regulatory developments and build trust in reporting. We have responded to the demand for a global reporting model that ensures fair and transparent markets and inspires confidence in reporting.

The outcome we seeks is that, through adoption of our Framework, more reliable information will reach business, investors and regulators in support of the decisions they must make and the actions they must progress in response to environmental challenges.

CDSB is governed by a Board whose members are drawn from leading business, accounting and environmental organizations. Our work program is managed as a special project of CDP and is supported by an external Technical Working Group including representatives of business, NGOs, investor groups, academia, global accountancy firms and their membership bodies.

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