Think Ahead ACCA

Scope 3 Emissions in the UK Reporting Landscape Call for Evidence

A public consultation issued by the Department for Energy, Security and Net Zero

Comments from ACCA to the Department for Energy, Security and Net Zero

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About ACCA:

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of **247,000** members and **526,000** future members based in **181** countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in Accountancy, finance, and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business, and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. We believe that Accountancy is a cornerstone profession of society and is vital in helping economies, organisations, and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities. And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation. Find out more at accaglobal.com.

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GENERAL COMMENTS

ACCA welcomes the opportunity to respond to the Department's call for evidence on the benefits, costs, and practicalities of Scope 3 greenhouse gas (GHG) reporting in the UK.

In respect of UK reporting requirements alignment with the International Sustainability Standards Board (ISSB), ACCA fully supports the role of the ISSB in setting a consistent and comparable global baseline to sustainability reporting around the world. We remain steadfast in our belief that greenhouse gas emissions (including CO2) need to be accurately and consistently measured, recorded and disclosed and recommends the use of international standards for measurement and disclosure to ensure interoperability and comparability.

ACCA previously assessed the initial ISSB IFRS S2 Exposure Draft and provided a consultation response that covered the disclosure requirements of scope 3 emissions.[1] We align with the use of the GHG Protocol (the Protocol) in calculation and measurement of GHG emissions. The recommendation of the use of the Protocol in the calculation guidance by the ISSB for IFRS S2 is consistent with current global voluntary reporting practices and aligns with the CSRD's ESRS 1, where the Protocol is again recommended. Crucially in order for disclosures to be meaningful to the users the disclosure of the methodology used to calculate scope 3 carbon emissions is most likely to have the greatest positive impact.

However, while we support a global solution, we recognise that regions and countries around the world will have differing public policy objectives, which may drive regional/national reporting requirements. We would recommend that entities are given the infrastructure to support them to collect and analyse the scope 3 data, to reduce the risk of organisations being exposed to undue cost and effort.

There should also be considerations that the responsibility for making materiality judgements and determinations rests with the reporting entity for all requirements in IFRS Sustainability Disclosure Standards, including this 'Standard' requires a great deal of judgement, especially when the boundaries between 'climate-related' topics and other topics (i.e. water, biodiversity, social matters) can be blurred.

We recognise the challenges in calculating scope 3 emissions, in particular with regard to data collection and quality, and continue to call for the greatest possible level of interoperability across international and jurisdictional standards as emphasised above. The challenges around the availability of data cannot be overstated, however it is essential to recognise that sustainability

[1] TECHCDR2003_IFRS_S2_Climate_Disclosures_ACCA.pdf (accaglobal.com)

reporting underpins better, more informed business across the short, medium and long term to enable consistent and accurate measurement. Such disclosures would be more useful to users in understanding how entities assess performance in this area, and in assessing risks arising from entities' emissions. Therefore, ACCA does not believe the additional burden of the proposed reporting changes would outweigh the benefits, this is subject, however, to final revisions being released. We have previously outlined our view that there are seven characteristics of good corporate reporting: relevance and materiality; completeness; reliability; comparability; verifiability; timeliness; and understandability.

The SECR regulations in many ways achieve their original objectives and assist in a smoother transition to future sustainability related reporting. 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.

ACCA believes that the different reporting requirements for quoted companies and unquoted companies/LLPs are broadly appropriate. However, ACCA believes that there have been some unintended effects of the SECR regulations. For example, the regulations have been found to be burdensome for some businesses, particularly small and medium-sized enterprises (SMEs). There are also questions as to the usefulness of information to these business in this context.

The government should consider these unintended effects and take steps to mitigate them. For example, the government could provide more guidance and support to businesses on how to comply with the regulations. The government could consider introducing a phased approach to the implementation of SECR for SMEs if the scope were to change. This would allow SMEs to gradually build up their reporting capabilities. ACCA have previously recommended a simplified and reduced reporting requirement could be helpful in responding to what are likely to be increasing requests from customers or providers of finance, for example. A proactive approach to managing and reporting social and environmental impacts can help SMEs to seize business opportunities and pre-empt risks.[2]

Overall, ACCA believes that the SECR regulations are a valuable tool for promoting corporate sustainability. However, there are a number of areas where the regulations could be improved. For example, through expanding the scope of those captured by the requirements, aligning SECR with standards such as the ISSB and enhancing and enforcing specific penalties for non-

[2] ACCA_Principles_for_Connected_Corporate_Reporting.pdf (accaglobal.com)

compliance. ACCA is committed to working with the government to make the SECR regime more effective and efficient.

ACCA has no additional metric categories to propose.