

***Reporting on Greenhouse Gas Emissions:
Initial Company Responses***

***Report to the Local Authority Pension Fund Forum
7 June 2002***

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Reporting on Greenhouse Gas Emissions: Initial Company Responses

1 Recommendations

- 1.1 Subject to the agreement of the Environment Agency Pension Fund, we recommend the following:
- 1.2 Reminder letters should be sent to non-responders.
- 1.3 Positive replies either in terms of new reporting or reporting commitments should be acknowledged as such.
- 1.4 Companies committed to improved reporting but with no stated commitment to use Defra guidance or equivalent, should be encouraged to do so.
- 1.5 The current state or responses should be publicised.
- 1.6 Further activity should be considered at the next meeting as necessary.

2 Introduction

- 2.1 This report summarises the Forum's shareholder engagement initiative, undertaken in conjunction with the Environment Agency Pension Fund, to raise the issue of reporting on greenhouse gas emissions with specific reference to the guidelines published by the Department for Environment, Food & Rural Affairs (Defra).
- 2.2 This initiative follows Forum research undertaken in Autumn 2001 into reporting on the issue by FTSE100 companies.

3 Correspondence with companies

- 3.1 The Secretariat wrote to company chairmen at 85 FTSE100 companies on April 3. The letter is attached at Appendix 2. Of these, 50 companies had been identified making no disclosures in line with Defra guidance, and 35 had various levels of partial reporting.
- 3.2 Of these 85 companies, we have received responses from 48 (56%). There has been a higher response rate from the partial reporters (66%) than from the non-reporters (50%). A reminder letter will be sent to companies yet to respond.
- 3.3 We have classified broadly the types of responses. The current situation is as follows (as at 29 May):

	Response type	Number of companies
1	New report or website now uses Defra guidelines	9
2	Commitment to use Defra guidelines for future reporting	9
3	Reporting uses other acceptable guidelines (eg UNEP, WBCSD)	8
4	Improved environmental reporting this year either undertaken or planned, but no explicit commitment to use Defra guidelines or equivalent	14
5	Currently use some Defra guidelines but no explicit commitment to extend reporting	3
6	Acknowledge climate change as an issue but no commitment to reporting	2
7	Acknowledge letter, will respond in due course	3

- 3.4 A full summary of responses, company by company, is attached at Appendix 1.
- 3.5 Of the 50 original non-reporters, nine companies have now either published a new environmental report which contains information on greenhouse gas emissions which follows Defra guidelines, or have given a commitment to do so in the future (ARM, BSKyB, Friends Provident, Granada, HBOS, Imperial Tobacco, Kingfisher, Prudential, Vodafone).
- 3.6 An additional nine partial reporters have now also published new data or given a commitment to use Defra in future (Boots, Cadbury Schweppes, Centrica, Diageo, ICI, Lloyds TSB, Marks & Spencer, Powergen, United Utilities).
- 3.7 This means that 21% of the companies contacted have now recognised the Defra guidelines either through new reporting or a future commitment.
- 3.8 In addition, two previous non-reporters and six previous partial reporters have now reported using alternative equivalent guidance such as UNEP or the World Business Council on Sustainable Development (WBCSD).
- 3.9 The largest category of responses (14 companies) state that they intend to improve their environmental reporting and acknowledge the issue of climate change, but have not given an explicit commitment to report using the guidelines or equivalent.
- 3.10 It is noteworthy that no companies have replied in generally negative terms either on the importance of climate change or the value of reporting on it. However, we are still awaiting responses from a substantial number of companies.

- 3.11 As this initiative is relatively recent, we suggest that responses continue to be monitored and replied to appropriately, prior to consideration of any further type of shareholder engagement.
- 3.12 Should any companies continue to fail to respond, those with no identifiable reporting on carbon emissions should be prioritised for future engagement.

4 **Recommendations**

- 4.1 Subject to the agreement of the Environment Agency Pension Fund, we recommend the following:
 - 4.2 Reminder letters should be sent to non-responders.
 - 4.3 Positive replies either in terms of new reporting or reporting commitments should be acknowledged as such.
 - 4.4 Companies committed to improved reporting but with no stated commitment to use Defra guidance or equivalent, should be encouraged to do so.
 - 4.5 The current state or responses should be publicised.
 - 4.6 Further activity should be considered at the next meeting as necessary.

Appendix 1: Detailed company responses

3i GROUP PLC	
ALLIANCE & LEICESTER PLC	New env. report due later in year. Commitment to improved reporting but no explicit reference to guidelines
ALLIED DOMECQ PLC	
AMERSHAM PLC	Defra used internally for UK operations. Considering extending to international. New report due 2002
AMVESCAP PLC	
ANGLO AMERICAN PLC	Commitment to increase reporting. Using WBCSD guidelines
ARM HOLDINGS PLC	New CSR report uses Defra guidelines with commitment to improved reporting.
ASSOCIATED BRITISH FOODS PLC	Internal data being collected. Reporting after Sept 2002. No explicit commitment to use guidelines
BAE SYSTEMS PLC	
BG GROUP PLC	Reporting uses own internal protocol developed from Defra and other guidelines. Full response
BHP BILLITON PLC	
BOC GROUP PLC	Measure emissions fully. Use WBCSD guidelines. Full response
BOOTS COMPANY PLC	New report uses Defra guidelines. Also use MACC2
BRAMBLES INDUSTRIES PLC	
BRITISH AMERICAN TOBACCO PLC	Multitude of different guidelines. Interested parties should agree on a standard set of guidelines.
BRITISH LAND CO PLC	
BSkyB PLC	New web report (2002) contains quantified data and full details of env.management programmes
BT GROUP PLC	
CABLE & WIRELESS PLC	
CADBURY SCHWEPPES PLC	Commitment to increase Defra reporting
CANARY WHARF GROUP PLC	
CAPITA GROUP PLC	
CENTRICA PLC	New web report April 2002. Contains improved reporting on DEFRA guidelines.
CGNU PLC	New CSR report posted in April 2002. Now report in line with UNEP guidance which meets most Defra guidelines
COMPASS GROUP PLC	
CORUS GROUP PLC	Currently use some DEFRA guidelines. However, for information to be verified by an external auditor would involve additional costs. Will comply with legislation if it comes into effect.
DAILY MAIL & GENERAL TRUST PLC	
DIAGEO PLC	New report soon uses Defra guidelines
DIXONS GROUP PLC	
ELECTROCOMPONENTS PLC	
EMI GROUP PLC	
FRIENDS PROVIDENT PLC	Commitment to reference Defra guidelines for new report in 2002

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GALLAHER GROUP PLC	
GLAXOSMITHKLINE PLC	
GRANADA PLC	New we reporting from January 2002 now fundamentally complies with Defra guidelines. Targets in 2002
GUS PLC	Referred to Company Secretary
HANSON PLC	Already report considerable data. Have progressive programme of improving data reporting.
HAYS PLC	
HBOS PLC	Post merger policy will be based on Defra guidelines with commitment to report in 2002 R&A
HILTON GROUP PLC	New env policy published April 2002. Claim to have first carbon neutral hotel. No explicit commitment
HSBC HOLDINGS PLC	
ICI PLC	Follows Defra guidelines closely. New data on website in June. Will include transport-related emissions
IMPERIAL TOBACCO GROUP PLC	Commitment to use Defra guidelines in future. Website currently contains quantified data (Phone call)
INNOGY HOLDINGS PLC	Calculate greenhouse gas emissions on methodology agreed with the Environment Agency. Collating data on greenhouse gas emissions from office based activities. No commitment to use Defra guidelines.
INTERNATIONAL POWER PLC	
INVENSYS PLC	Will discuss with Risk Manager, Christopher Temple
J SAINSBURY PLC	Will improve environmental reporting. No specific commitment on Defra or other guidelines.
KINGFISHER PLC	Recognise lack of Co2 emissions data in report. Commitment to produce such data in the future.
LAND SECURITIES PLC	
LLOYDS TSB GROUP PLC	Environment report published in Nov 2001 follows the DEFRA guidelines for environmental reporting.
LOGICA PLC	Recognise importance of climate change. But no plans to report on GHG emissions. Will review position.
MAN GROUP PLC	
MARKS AND SPENCER PLC	Use MACC2 and Defra guidelines. But other measures can have a greater impact. Full response
MMO2 PLC	Considering new reporting following demerger. Will consider GHG issues.
NATIONAL GRID GROUP PLC	
NEXT PLC	New env. report this year will include GHG data. No reference to guidelines
OLD MUTUAL PLC	Undertaken baseline survey. Commitment to MACC2. Will consider Defra guidelines.
P&O PRINCESS CRUISES PLC	
PEARSON PLC	Have improved data gathering and scope. Reporting will evolve. No explicit commitment
POWERGEN PLC	Use DEFRA guidelines to monitor emissions. Seeking ways to develop their use and will incorporate results in future reports. Corporate Responsibility report due to be published.
PRUDENTIAL PLC	Use Defra guidelines in new web report Feb 2002. Call from Fred Lynds 10.2.
RECKITT BENCKISER PLC	
REED INTERNATIONAL PLC	
RENTOKIL INITIAL PLC	
REUTERS GROUP PLC	Using a consultant to assess carbon issues. Will respond by end of May.
RIO TINTO PLC	Publication of 2001 Social and Environment Review. Adopted WBCSD methodology for global reporting.

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ROLLS ROYCE PLC	
ROYAL & SUN ALLIANCE PLC	Currently using UNEP guidelines. Published Environment, Health and Safety and Security report referring to data on greenhouse gas equivalent emissions.
SAFEWAY PLC	
SAGE GROUP PLC	
SCHRODERS PLC	
SCOTTISH & NEWCASTLE PLC	
SCOTTISH & SOUTHERN PLC	Will take account of views in determining new reporting for 2002
SEVERN TRENT PLC	Company has complied with DEFRA guidelines since 1999. Commitment to improve.
SHIRE PHARMACEUTICALS PLC	Have appointed consultants to advise on env. measures. No explicit commitment to use guidelines
SMITH & NEPHEW PLC	
SMITHS GROUP PLC	
SOUTH AFRICAN BREWERIES PLC	Agree prior reporting was incomplete. Use WBCSD guidance. New 2002 report will address GHG issues
STANDARD CHARTERED PLC	Use MACC2 carbon targets
TESCO PLC	New web report contains some GHG data. Also targets. No explicit reference to Defra guidance
UNITED UTILITIES PLC	Agree they could improve reporting in line with full Defra guidelines
VODAFONE GROUP PLC	Commitment to use Defra guidelines in next report
WM MORRISON SUPERMARKETS PLC	
WOLSELEY PLC	
WPP GROUP PLC	Commitment to corporate responsibility, but an audit on greenhouse emissions would not serve common objectives. However, global warming is an area of concern.

Appendix 2: Text of letter sent to Company Chairmen

Reporting on Greenhouse Gas Emissions

We are writing on behalf of the Environment Agency Pension Fund and the Local Authority Pension Fund Forum, as a group of institutional investors concerned about the potential risks associated with climate change, to encourage you to report more fully on your greenhouse gas emissions, and particularly to use the Department for Environment, Food & Rural Affairs' guidelines on the issue (<http://www.defra.gov.uk/environment/envrp/gas/index.htm>). We note that your environmental reporting during the last financial year has not followed/ followed some of these guidelines but not all. *[alternative wording]*

Climate change poses significant risks for the economy as a whole, as well as specific sectoral challenges and risks for individual companies. Investors clearly have a concern for the consequent effect on investment returns. There is the direct risk to all carbon intensive industry in that all activities using fossil fuels will be affected and will need to adapt. Other pressures will include regulatory and fiscal actions designed to counter climate change (some of which are already taking effect in the UK), significant changes in sourcing of inputs, in consumer demand and more dramatically, fundamental demographic and meteorological shifts. Impacts will vary from company to company as will the corporate response to these changes.

As long-term investors, we need to understand to what extent companies are aware of the scale of these risks, how they are incorporating the potential effects of climate change into corporate strategy and what action is being taken to respond to not only the risks but the opportunities presented. We consider that a key component in the process of assessing and managing these risks is the publication of comprehensive and consistent information on greenhouse gas emissions. While reporting is more advanced in sectors where climate change is seen to have higher direct impact, it is important that all companies recognise they are responsible for greenhouse gas emissions and be able to measure and report on them. Publication of this data will provide the first step in understanding a company's impact and provides evidence for shareholders and others that the company is tackling the issue.

We believe the government's guidelines represent a good basis for reporting and we would seek a commitment from you to consider expanding your use either these guidelines or an equivalently-detailed template. We consider that, due to the importance of the issue, while full reporting may be included in stand-alone environmental reports or on websites, a summary of greenhouse gas emission data should be included in your annual reports.

If you have any questions, please do not hesitate to contact Stuart Bell at the LAPFF Secretariat, which is co-ordinating this initiative (tel: 020 7247 2323). We look forward to your response.

Yours sincerely,

Councillor Bob Sowman
Chairman
LAPFF

Barbara Young
Chief Executive
Environment Agency