

Chapter 2: Guidance on Streamlined Energy and Carbon Reporting Chapter

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") implement the government's policy on Streamlined Energy and Carbon Reporting (SECR) and this chapter will help businesses across the UK in scope of the new regulations comply with their legal obligations that come into force on 1st April 2019.

Introduction

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013¹ require quoted companies to report their annual emissions and an intensity ratio in their Directors' Report.

The 2018 Regulations² bring in additional disclosure requirements for quoted companies. The 2018 Regulations also require large unquoted companies and limited liability partnerships to disclose their annual energy use and greenhouse gas emissions, and related information.

This chapter sets out the mandatory requirements of both the 2013 and 2018 Regulations (the legislation) and outlines additional voluntary information that is likely to be useful to data-users.

This guidance includes changes, which take effect from 1st April 2019, and cover financial reporting years starting on, or after this date, and replaces the guidance on Mandatory Greenhouse Gas Reporting (MGHG) that was contained in the previous version of this guidance.

The legislation affects:

- Quoted companies;
- Large unquoted companies;
- Large Limited Liability Partnerships (LLP)

Remember you may fall within these categories even if not for profit or if undertaking public activities e.g. universities or NHS Trusts which include companies. The government encourages all private sector organisations which are not caught by the legislation to report similarly, although this remains voluntary. Companies incorporated outside of the United Kingdom are not required to include energy and carbon information in their Directors' report under this legislation.

1. Complying with SECR

1.1 Under the 2018 Regulations, large unquoted companies and LLPs are obliged to report their UK energy use and associated greenhouse gas emissions relating to gas, electricity and transport, as well as an intensity ratio, information relating to energy efficiency action, through their annual reports.

¹ The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 amended the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, including adding Part 7 of Schedule 7 dealing with GHG emissions by quoted companies.

² The 2018 Regulations amend the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, in particular adding a Part 7A to Schedule 7 dealing with energy and carbon disclosures by large unquoted companies. The 2018 Regulations also amend the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, which apply certain provisions of the Companies Act 2006 to Limited Liability Partnerships, to provide for large LLPs to prepare an equivalent report to the directors' report to disclose energy and carbon information.

1.2 Quoted companies continue to be required to report their global greenhouse gas (GHG) emissions and an intensity ratio through their annual reports. Additionally, under the 2018 Regulations, they are required to report their total global energy use and information relating to energy efficiency action alongside the methodology used to calculate the required information.

1.3 This guide sets out the key obligations, including which organisations are in scope and the information they will need to report and disclose annually. The rest of the [Environmental Reporting Guidance](#) sets out best practice and opportunities to go beyond what is legally required but may provide useful to stakeholders.

1.4 The new mandatory reporting requirements imposed by the 2018 Regulations are designed to:

- Increase awareness of energy costs within large organisations, including their prominence amongst key decision makers;
- Create more of a level playing field among large organisations, in terms of energy and emissions reporting;
- Provide organisations in scope with the right data to inform adoption of energy efficiency opportunities and opportunities to reduce their impact on climate change; and
- Provide greater transparency for investors, and other stakeholders, on business energy efficiency and low carbon readiness.

1.5 Business will already have much of the information required to comply with the new disclosure requirements. Participation in other schemes, such as the CRC Energy Efficiency Scheme (CRC), Energy Savings Opportunity Scheme (ESOS), EU Emissions Trading System (ETS) or MGHG reporting and voluntary environmental reporting frameworks, will further help companies meet their new obligations. Wherever possible, businesses should make use of their normal accounting and environmental management systems to regularise the collection of energy use information throughout the year. Additions or changes to existing systems or processes may be required to take account of the new disclosure requirements. This guide will help you identify if these are needed. Early identification will enable the necessary changes to be made in time for you to meet your SECR obligations.

2. Who needs to report under SECR?

Quoted companies

2.1 Under the 2013 Regulations, quoted companies of any size that are required to prepare a Directors' Report under Part 15 of the Companies Act 2006, are required to disclose information relating to their GHG emissions.

2.2 Quoted companies in this respect are those whose equity share capital is officially listed on the main market of the London Stock Exchange; or is officially listed in a European Economic Area; or is admitted to dealing on either the New York Stock Exchange or [NASDAQ](#).

2.3 After the 2018 Regulations come into force, quoted companies of any size will continue to be required to publish in their Directors' Report their GHG emissions and an intensity ratio. The 2018 Regulations also impose additional reporting requirements set out in Section 3 of this chapter.

Large unquoted companies and large limited liability partnerships

2.4 Under the 2018 Regulations, unquoted companies which are required to prepare a Directors' report under Part 15 of the Companies Act 2006, and which are "large" (see below) are required to prepare and file energy and carbon information (see below) in their Directors' Reports. This applies

to both registered companies and to unregistered companies which are required to prepare company accounts and reports.

2.5 Under the 2018 Regulations, LLPs which are “large” are also required to prepare and file energy and carbon information in their accounts and reports (in a new ‘Energy and Carbon Report’).

2.6 The definition of “large” is the same as applies in the existing framework for annual accounts and reports, based on sections [465 and 466 of the Companies Act 2006](#). The qualifying conditions are met by a company or LLP in a year in which it satisfies two or more of the following requirements:

- Turnover £36 million or more
- Balance sheet total £18 million or more
- Number of employees 250 or more

Group Reporting

2.7 For a financial year for which you are required to prepare a group Directors’ Report³, when making your energy and carbon disclosures, you must take into account not only your own information, but also the information of any subsidiaries included in the consolidation which are quoted companies, unquoted companies or LLPs. However, you may exclude from your report any energy and carbon information relating to a subsidiary which the subsidiary would not itself be obliged to include if reporting on its own account. The same applies to LLPs required to prepare a group Energy and Carbon Report⁴.

2.8 For a financial year for which your parent company (or parent LLP) is preparing a group relevant report (i.e. a group Director’s Report or a group Energy and Carbon Report), you might not be obliged to include your energy and carbon information in your own accounts and reports. A subsidiary is not obliged to report their energy and carbon information if:

- They are a “subsidiary undertaking” at the end of the relevant financial year;
- They are included in the group report (whether a group Directors’ Report or a group Energy and Carbon Report) of a “parent undertaking”;
- That group report is prepared for a financial year of the parent that ends at the same time as, or before the end of, the subsidiary’s financial year; and
- The group report complies with the relevant obligations on the parent to report energy and carbon information for themselves and their subsidiaries; but this provision does not apply where the group report relies on the seriously prejudicial option.

2.9 Note this is different to the approach taken under ESOS, where a smaller subsidiary of a parent company is not exempt, even where on its own, it would not meet ESOS eligibility criteria.

3. What needs to be reported under SECR?

Quoted companies

3.1 Quoted companies within the scope of the legislation must continue as a minimum to disclose in their Directors’ report their:

- Global GHG Protocol Scope 1 and Scope 2 emissions (outlined in section 6)

³ Under section 415(2) of the Companies Act 2006.

⁴ Under section 415(2) of the Companies Act 2006 as applied to LLPs by regulation 12A of the Limited Liability Partnerships (Account and Audit) (Application of Companies Act 2006) Regulations 2008 as amended by the 2018 Regulations.

- Previous year's figures (except in the first year)
- Methodology used
- At least one intensity ratio (outlined in section 8)

And for financial years that start on, or after, 1st April 2019, quoted companies must also report:

- Underlying global energy use (including previous year's figure from year two)
- Information about energy efficiency action taken

For financial years starting on or after 1st April 2019, quoted companies also need to state what proportion of their energy consumption and their emissions related to emissions in the UK and offshore area.

Unquoted companies and LLPs

3.2 Unquoted companies and Limited Liability Partnerships in scope of the legislation will be required to disclose energy and carbon information in their accounts and reports, including:

- UK energy use (to include as a minimum electricity, gas and transport)
- Associated Scope 1 and Scope 2 greenhouse gas emissions
- At least one intensity ratio (outlined in section 8)
- Information about energy efficiency action taken in the organisation's financial year
- Methodologies used in calculation of disclosures
- Previous year's figures for energy use and GHG emissions (not the first year)

3.3 Additionally, if you are an offshore undertaking (i.e. if your activities consist wholly or mainly of offshore activities as defined in the 2018 Regulations) you must disclose your emissions and energy use for the UK and the offshore area.

Low energy users

3.4 Where an organisation is a low energy user (see below) it is not required to make the detailed disclosures of energy and carbon information referred to above. Instead, such an organisation is required to state, in its relevant report, that its energy and carbon information is not disclosed for that reason.

The following qualify as low energy users:

- Quoted company preparing a Directors' Report which has consumed 40MWh or less during the period in respect of which the report is prepared. If the quoted company is preparing a group Directors' report, the assessment is of the energy consumption of the parent and its subsidiaries which are included in the consolidation and are quoted companies, unquoted companies or LLPs.
- Unquoted companies or LLPs preparing a Directors' Report or Energy and Carbon Report which have consumed 40MWh or less in the UK during the period in respect of which the report is prepared. If the company or LLP is preparing a group report, the assessment is of the energy consumption of the parent and its subsidiaries as above.

Comply or explain

3.5 The legislation permits:

- when the directors or members consider the disclosure of the energy and carbon information would be seriously prejudicial to the interests of the organisation, the information may be excluded. Instead the relevant report must state that the energy and carbon information is not disclosed for that reason. Businesses are encouraged to rely on this only in truly significant cases, such as specific sensitivities arising from restructuring or acquisitions by an organisation in the run up to producing their Directors' or Energy and Carbon Report, or when there are exceptional commercial sensitivity considerations;
- where the energy and carbon information is not practical to obtain, the information may be excluded. The relevant report must still state that what energy and carbon information is not included and why. That means, should you be in the situation where it is not practical for you to obtain all required energy and carbon information, you must state what is omitted and explain why in your Directors' Report or Energy and Carbon Report. It is recommended that you set out the steps you are taking to acquire the information.

Data from Previous year's report

3.6 For financial years that start on or after 1st April 2019, with the exception of the first mandatory reporting year, businesses in scope must also state the emissions, energy use, energy efficiency action and intensity ratio disclosures made in their previous year's relevant Report.

3.7 For financial years that start earlier than 1st April 2019, quoted companies are already required to disclose the emissions and intensity ratio disclosures if disclosed in the previous year's relevant Report.

What period should my disclosures cover?

3.8 The obligation is to disclose annual figures for emissions and energy use. If the annual period used is not the same as the financial year covered by the relevant Report, this must be made clear in the Report.

3.9 If actions have been taken to improve the businesses' energy efficiency during the financial year covered by the relevant Report, a description of the principal energy efficiency actions taken should be disclosed in the relevant Report. The actions should not relate to periods outside the organisations' financial year.

4. Where do organisations need to report

4.1 Companies in scope of the legislation will need to include their energy and carbon information in their Directors' Report as part of their annual filing obligations.

4.2 The 2018 Regulations require large LLPs to prepare an equivalent report to the Directors' Report (the "energy and carbon report") for each financial year including their energy and carbon information. The Energy and Carbon Report must be approved by the LLP's members and signed on behalf of the LLP by a designated member. The Energy and Carbon Report also needs to identify each of its members during the financial year. LLPs may wish to consider whether they can comply with the latter requirement by referring to the online list published by Companies House.

4.3 Where energy usage and carbon emissions are of strategic importance to the company, disclosure of the relevant information may be included in the strategic report instead of the directors' report. Information relating to energy usage and carbon emissions should be included in

the strategic report if it is considered necessary for an understanding of the development, position or performance of the company or the impact of its activities.

5. When do businesses in scope need to report?

5.1 Quoted companies are already required to make carbon disclosures in their Directors' Reports, for financial years ending on, or after, 30 September 2013.

5.2 The new requirements, imposed by the 2018 Regulations on quoted companies and on large unquoted companies and LLPs,⁵ apply to reports for financial years starting on or after 1st April 2019. The first publication of reports which must comply with the 2018 Regulations is therefore expected to be filed with Companies House in 2020.

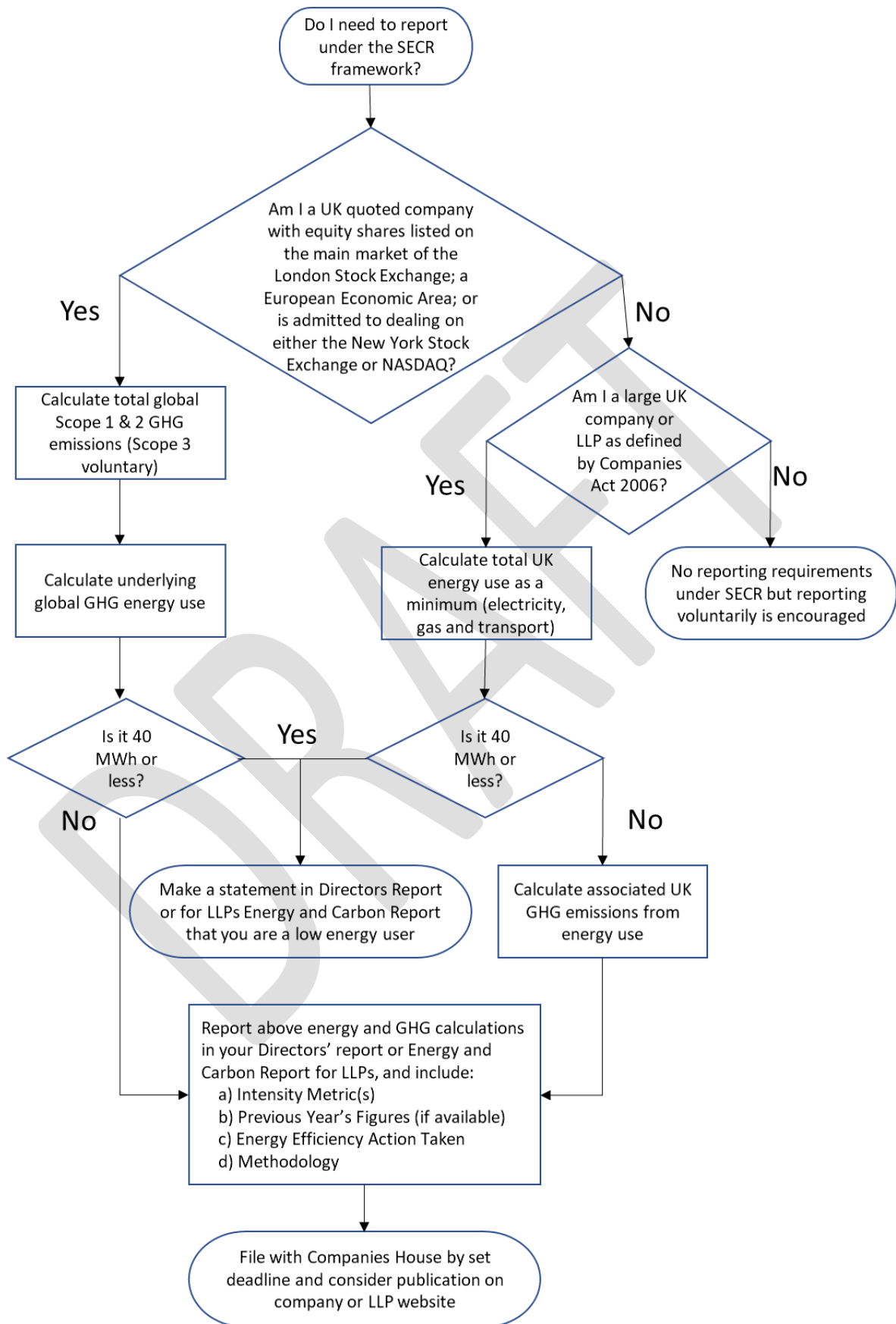
5.3 You will need to check what financial year your organisation uses. Check with your finance director or company secretary if you are unsure.

Usual reporting year	The first financial year for which the relevant report must comply with the new requirements under the 2018 Regulations
1 st January to 31 st December	1 st January 2020 to 31 st December 2020
1 st April to 31 st March	1 st April 2019 to 31 st March 2020

5.4 Where financial reporting years have started before 1st April 2019, quoted companies are already required to include specified MGHG information.

⁵ Some SECR requirements differ for quoted and unquoted organisations. Section 6 is relevant for quoted companies, section 7 for unquoted large companies, and section 8 contain requirements that all organisations in scope of SECR need to comply with.

Does my organisation need to report?



6. SECR reporting requirements for Quoted Companies

6.1 Under the 2013 Regulations, quoted companies are required to report on their greenhouse gas emissions from activities for which they are responsible, and from the purchase of electricity, heat, steam or cooling for the company's own use, an intensity ratio, the previous year's figures and the methodology used to calculate the required information.

6.2 For financial years that start on or after, 1st April 2019, quoted companies will also have to report the underlying energy use and which formed the basis of the GHG emissions, state what proportion of their energy consumption and their emissions related to emissions in the UK and offshore area, and to report information relating to energy efficiency action taken in a financial year.

What GHG emissions must my quoted company report?

6.3 Many quoted companies already have established reporting practices using GHG accounting methodologies, such as the [GHG Protocol Corporate Standard](#), [ISO 14064-1](#) and [CDP](#). These companies should satisfy themselves that their existing GHG accounting approaches cover the required emissions from activities for which they are responsible.

6.4 The next step is to consider the requirements of the Directors' Report, as this is the context in which energy use and greenhouse gas emissions information must be reported. The Directors' Report contains information relating to operations⁶ covered by the consolidated financial statement that includes their operations both in the UK and abroad.

6.5 If companies consider that reporting emissions from activities for which they are responsible means that they will:

- Not report on energy use and GHG emissions from certain operations covered by the consolidated financial statement; or
- Report on energy use and GHG emissions from operations that are not included in their statements, they must make this clear.

6.6 Readers of the emissions data should have a clear understanding of the operations for which emissions data has been reported and if, and how, this differs from operations within the consolidated financial statement.

6.7 For example, you may conclude that you have responsibility for the energy use and GHG emissions of one of your associate undertakings, hence include them in your inventory even though you do not consolidate but equity account for that associate in your consolidated accounts and explain why.

⁶ Please note that the term "operations" is used here as a generic term to denote any kind of business activity, irrespective of its organizational, governance, or legal structures.

Should quoted companies report all their emissions?

Quoted companies must report on emissions from activities for which they are responsible.

6.8 You are required to quantify and report on emissions of the following greenhouse gases⁷ - carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆).

6.9 You are not required to give individual figures for emissions of each of the GHGs listed, although it is an option. Indeed, few companies will emit all the GHGs listed. However, you must state in your Directors' Report the annual quantity of GHG emissions in tonnes of carbon dioxide equivalent (CO₂e) including from the following emission sources:⁸

- a) The combustion of fuel, e.g.
 - Stationary combustion: combustion of fuels in stationary equipment such as boilers, furnaces, burners, turbines, heaters, incinerators, engines, flares, etc.
 - Mobile combustion: combustion of fuels in transportation devices such as automobiles, trucks, buses, trains, airplanes, boats, ships, barges, vessels, etc.
- b) The operation of any facility

This category is not limited to emission sources that are permanent, land-based or stationary. This category would also include emission sources that are mobile; temporary, e.g. mobile offices; and marine-based, e.g. oil production platforms. The following types of sources of emissions should be considered when identifying emissions on which to report:⁹

- **Process emissions:** emissions from physical or chemical processes such as CO₂ from the calcination step in cement manufacturing, CO₂ from catalytic cracking in petrochemical processing, PFC emissions from aluminium smelting, etc.
 - **Fugitive emissions:** intentional and unintentional releases, such as equipment leaks from joints, seals, packing, gaskets, as well as fugitive emissions from coal piles, wastewater treatment, pits, cooling towers, gas processing facilities, etc.
- c) A separate figure giving the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity, heat, steam or cooling by the company for its own use.¹⁰

In the case of companies that are lessees of an emission source, they should decide if they have responsibility for emission sources, e.g. if electricity¹¹ has been purchased for their own use.

⁷ As defined in section 92 of the Climate Change Act 2008

⁸ See paragraph 15(2) of Part 7 of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

⁹ GHG Protocol Corporate Accounting and Reporting Standard.

¹⁰ See paragraph 15(3) of Part 7 of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

¹¹ Or heat, steam or cooling.

If you decide that you do have responsibility for emissions, either as a lessee or as a lessor, but cannot get the consumption data necessary to calculate the emissions, then you may either estimate the emissions or state that emissions from the building are excluded and explain why (see the sub-section on “Comply or explain” in section 3).

6.10 The totals arrived at from the above are similar respectively to Scopes 1 and 2 of the GHG Protocol Corporate Standard and the direct emissions and energy indirect emission categories of ISO 16064-1.

6.11 You are **not** required to report on other emissions associated with inputs into your company (such as emissions from your supply chain) or emissions linked with outputs from your company (such as emissions from your products when they are used by your customers). However, you should consider reporting these separately to give a wider picture of your organisation to investors and shareholders (See the recommendations on Scope 3 emissions in the following chapter on voluntary reporting).

6.12 The regulations do not contain a de minimis for GHG emissions or energy use¹² but having established the activities for which you are responsible, you may also wish to consider whether particular emissions are material to the total of your company emissions. Materiality will depend on the circumstances of your individual company. It will be influenced by issues such as the size and nature of an operation.

6.13 The ‘characteristics of materiality aim to provide a ‘workable filter on information, allowing investors to see major trends and significant events’¹³ and eliminate ‘immaterial clutter’ and ‘unnecessary or duplicative detail that obscures major trends and events’.¹⁴ In considering which emissions are material to your company, we would encourage you to consider whether the collection and reporting of certain emissions or operations beyond those required for SECR would provide additional value for users in the context of your company’s overall emissions data and management.

Quoted companies must report on all material emissions of the 6 Kyoto gases from direct sources and from purchased electricity, heat, steam and cooling and the underlying energy use.

Global Energy Use

6.14 For financial years starting on or after 1st April 2019, quoted companies will be required to present the underlying global energy use data that was used to calculate their GHG emissions. This

Energy means all forms of energy products such as combustible fuels, heat, renewable energy, electricity, or any other form of energy.

¹² Other than the 40MWh definition of lower energy users

¹³ Climate Change Reporting Framework – Edition 1.1 September 2012. Climate Disclosure Standards Board.

¹⁴ *ibid*

must be calculated in kWh. If this information is not practical to obtain, the legislation requires the fact of that omission be disclosed.

7. SECR reporting requirements for large unquoted companies and large limited liability partnerships

Unquoted organisations in scope of SECR are required to report:

UK Energy Use

7.1 The 2018 Regulations require large unquoted companies to report on UK energy use, and the associated Scope 1 and Scope 2 emissions, that relate to:

- Activities for which you are responsible involving the combustion of gas or consumption of fuel for the purposes of transport; and
- The purchase of electricity by the company for its own use, including for the purposes of transport.

The report must disclose a figure, in kWh, of the annual quantity of energy consumed in the ways set out above.¹⁵

7.2 If you are an offshore undertaking (i.e. if your activities consist wholly or mainly of offshore activities as defined in the 2018 Regulations), you must disclose your energy use and emissions for the UK and the offshore area.

Electricity

7.3 The relevant business report must include the annual quantity of energy consumed in the UK resulting from the purchase of electricity by the company for its own use, including for the purposes of transport.

Gas combustion

7.4 The relevant Report must include the annual quantity of energy consumed from activities for which business is responsible involving the combustion of gas. "Gas" is defined, except in the definition of "offshore activity", as any combustible substance which is gaseous at a temperature of 15 degrees Celsius and a pressure of 101.325 kPa (1013.25 mb) and which consists wholly or mainly of methane, ethane, propane, butane, hydrogen or carbon monoxide, or a combination of those, or a combustible mixture of those and air.¹⁶

Transport

7.5 The relevant Report must include the annual quantity of energy consumed from activities for which the company is responsible, involving the consumption of fuel for the purposes of transport (as well, as above, from the purchase of electricity for its own use, including for the purpose of transport).

7.6 Total energy use must include energy consumption from transport where the organisation is supplied with the fuel for business purposes, not where a transportation service is procured that includes an indirect payment for the fuel consumption. Therefore, only transport where the

¹⁵ SECR requirements for unquoted organisations broadly build on the definitions of transport and gas used in ESOS.

¹⁶ ¹⁶ See paragraph 20K of Part 7A to Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

organisations is responsible for purchasing the fuel is required for mandatory reporting by unquoted companies and LLPs under the SECR framework.

Energy consumed for the purposes of transport means energy used by a road going vehicle, a vessel, an aircraft or a train during any journey which

- a) starts,
- b) ends, or
- c) both starts and ends

within the United Kingdom.

The following activities should be included in your calculation of your total energy consumption:

- Fuel used in company cars on business use
- Fuel used in fleet vehicles which you operate on business use
- Fuel used in personal/hire cars on business use
- Fuel used in private jets, fleet aircraft, trains, ships, or drilling platforms which you operate

7.7 The following activities are not required to be included in your calculation of your total energy consumption but may be reported separately as part of Scope 3 emissions:

- Fuel associated with train travel of your employees where you do not operate the train
- Fuel associated with flights your employees take where you do not operate the aircraft
- Fuel associated with taxi journeys your employees take where you do not operate the taxi firm.
- Fuel associated with transportation of goods where you subcontract a firm or self-employed individual to undertake this work for you.

Greenhouse gas emissions

7.8 The relevant Report must state the annual quantity of emissions in tonnes of carbon dioxide equivalent (CO₂e) resulting from the total UK energy use from electricity, gas and transport as defined above. Use the [Government conversion factors for company reporting](#) to help you measure energy consumption in common units.

Energy not in scope

7.9 The following types of energy are not mandatory for large unquoted organisations under SECR

- Unconsumed energy that your organisation does not use, and supplies to a third party
- Energy consumed outside the UK (unless you are an offshore undertaking)
- Energy consumed for international travel or shipping where the journey does not start or end in the UK (unless the organisation wishes to include their international travel)

8. Common Requirements that apply for both quoted and unquoted large companies and LLPs

8.1 In addition to the steps outlined in Section 6 and 7, the following reporting requirements apply to both quoted and unquoted organisations and should be included in the relevant business report in addition to energy use and GHG emissions.

Energy efficiency action

8.2 A narrative description of the principal measures taken for the purpose of increasing the businesses' energy efficiency in the relevant financial year must be included in the relevant Report.

These actions could include, for instance:

- Installing smart meters and energy monitoring tools.
- Changing your service and maintenance strategy to ensure vehicles or machinery operate more efficiently
- Moving fleet from fossil fuels to electric vehicles
- Replacing business travel with video conferencing where cost-effective capital investment projects from e.g. more efficient lighting, pumps and motors
- Behaviour change projects

8.3 Organisations may choose to use their energy audit recommendations under compliance with ESOS to inform their energy efficiency actions, including those from ISO 50001 actions to drive continuous improvement or those from Display Energy Certificates.

8.4 Organisations will need to judge what is appropriate, but the statement should be meaningful and informative for stakeholders and be consistent with the size and level of energy use of the business.

Intensity Ratio

8.5 The Directors' Report (or LLP's Energy and Carbon Report) must also express the organisation's emissions by way of at least one intensity ratio. Intensity ratios compare emissions data with an appropriate business metric or financial indicator, such as sales revenue or square metres of floor space. This allows comparison of energy efficiency performance over time and often with other similar types of organisations. Annex F (of the existing [environmental reporting guidance](#)) lists some common intensity ratios in relation to organisation's activity

8.6 The relevant Report must state at least one metric which expresses the business' annual emissions in relation to a quantifiable factor associated with the business' activities such as tonnes of CO₂e per total square metres for the property sector, or tonnes of CO₂e per total million tonnes of production for the manufacturing sector. While organisations are free to choose their own intensity ratio, these should be most appropriate to your business activity, calculated on a consistent basis year on year with the method of calculation disclosed, and meaningful to stakeholders. Organisations should consider working with their sector associations to consider whether it is appropriate to use a consistent metric or metrics within the sector.

Methodology

8.7 While there is no prescribed methodology under the legislation, organisations are required to disclose the methodology used to calculate the required information under the SECR regulations. For effective emissions management and transparency in reporting, it is important that robust and accepted methods are used. It is recommended that you use a widely recognized independent standard, such as:

- International Organisation for Standardization, [ISO](#)
- Climate Disclosure Standards Board, [CDSB](#)
- [The Global Reporting Initiative Sustainability Reporting Guidelines](#)
- [CDP](#) (formerly the Carbon Disclosure Project)

8.8 You may use relevant information from other domestic and international regulatory reporting processes to fulfil your mandatory reporting obligations in your Directors' or Energy and Carbon Report. Data from the following may be useful:

- Energy Savings Opportunity Scheme ([ESOS](#))
- Climate Change Agreements ([CCA](#))
- The EU Emissions Trading System ([EU ETS](#))
- Systems that are in place to collect data for participation in the CRC Energy Efficiency Scheme
- Overall strategy for sustainability

You must state in your Directors' Report, or Energy and Carbon Report, the methodology or methodologies used.

8.9 CDP has developed a list of commonly cited methodologies, protocols and standards. There may be existing methodologies developed by certain sectors, such as those for the petroleum industry. Companies within those sectors may wish to consider using sectoral methodologies where appropriate.

8.10 If you have used data compiled in fulfilment of other regulatory requirements (such as ESOS) then state this as one of the methodologies that you have used to make your report.

8.11 If you decide to use information from regulatory schemes, you need to consider whether additional data is needed to satisfy SECR reporting requirements. Data under other schemes may only cover some of your organisation's energy use or GHG emissions and only give part of the required information. For example, the CCA scheme only applies to certain energy or emissions in the UK and only covers carbon dioxide, the electricity figure calculated under CRC Energy Efficiency Scheme may be helpful for large unquoted organisations in scope of SECR but not for quoted companies which are required to report on a wider number of greenhouse emissions and report on global energy use. You will therefore need to consider whether the data you have collected needs to be supplemented with additional information to, for example, cover global emissions for quoted companies.

9. Further SECR guidance

External verification

9.1 There is no requirement in the legislation for emission data to be independently verified or assured however, we would recommend it as best practice. Voluntary independent verification/assurance on the accuracy, completeness and consistency of energy use and GHG emissions data is encouraged as beneficial to both internal decision-making and for external stakeholders.

9.2 However, as part of their overall responsibilities in an audit of financial statements, the auditor is required to state in the auditor's report whether, based on the work undertaken in the course of the audit, the information in the Directors' Report:

- Is consistent with the financial statements;
- Has been prepared in accordance with applicable legal requirements; and
- Contains any material mis-statements or omissions

9.3 If this information is materially inconsistent with the financial statements or the auditor's knowledge obtained in the audit, or otherwise appears to be materially misstated, the auditor considers the need to qualify the auditor's report.

Enforcement

9.4 The Conduct Committee of the Financial Reporting Council is responsible for monitoring compliance of company reports and accounts with the relevant reporting requirements, imposed on companies by Part 15 of the Companies Act 2006 (“the Act”) and imposed on LLPs, as that Act has been applied to LLPs. The Committee has the power to enquire into cases where it appears that relevant disclosures have not been provided. The Committee also has the power to apply to the Court, under section 456 of the Act, for a declaration that the annual report or accounts of a company do not comply with the requirements and for an order requiring the directors to prepare a revised report and/or set of accounts.

9.5 As far as possible, however, the Conduct Committee operates by agreement with the businesses whose reports it reviews and, to date, has achieved its objectives without recourse to the Courts. The Committee exercises its functions with regard to the principles of good regulation, including proportionality, consistency and targeting. It raises concerns with companies where there is evidence of apparent substantive non-compliance.

9.6 Companies House does not accept accounts that do not meet the requirements of the Companies Act, and as such, late filing penalty regime will apply to accounts that omit SECR data.

Collecting your energy use data

9.7 When calculating total energy consumption, organisations must use verifiable data where reasonably practicable. You can collect your energy use data in one of the following ways:

- Taking meter readings (either manually or through automated systems). This is the preferred method of data collection as these readings are likely to provide the most accurate data.
- Using invoices from suppliers.
- Using annual statements from suppliers. If you have multiple supply figures for the same meter, you are recommended to use whichever figure you think is the most accurate.

9.8 If verifiable data of energy use or spend cannot be obtained, organisations must use a reasonable estimate derived through calculation (based on other verifiable data, if possible), and show how estimates were made.

Estimating energy use

9.9 Where verifiable data is not available, organisations may estimate data by:

- Direct comparison;
- Pro-rata extrapolation;
- Benchmarking

9.10 Direct comparison means using figures from another comparable time period to fill the gap, (for example the same day/week/month in another year).

9.11 Pro-rata extrapolation means using figures available for one period of time to get average consumption figures for a shorter period. For example, an organisation may use the average day rate of energy use for 1st April 2019 to 25th April 2019 to estimate the energy used between 26th and 30th April 2019.

9.12 Benchmarking means using the energy consumption of one asset or activity as a proxy to estimate the consumption of another asset. For example, an organisation may use the annual energy

use of one retail outlet to estimate how much energy another retail outlet uses, particularly if they are similar size, age, or build.

9.13 When calculating energy consumption from transport activities, organisation may make reasonable estimations based on verifiable data (e.g. expenditure) in cases where they do not have actual usage data (e.g. litres).

Landlord/Tenant Reporting Responsibilities

9.14 Organisations in scope of SECR should report all energy use and associated GHG Scope 1 and Scope 2 emissions (as defined in the previous sections of this chapter) that they are responsible for. In the case of landlord/tenant arrangements, the party responsible for the **consumption** of energy should take the responsibility for reporting of it under this legislation.

Reporting format

9.15 There is no prescribed proforma for reporting – organisations could develop their own format to fit their business but any reporting format should provide at least the minimum information requirements (including nil returns) and comparisons of data for the previous year (as it becomes available) in as accessible a format as possible.

9.16 We have included a reporting template that organisations may use for guidance and to facilitate consistency of disclosed information.

Digital reporting

9.17 Organisations may choose to report SECR information in a digital format, if the annual report and accounts are also filed digitally.

Reporting renewable energy

9.18 Explicit reporting on renewable energy and associated emissions is not a mandatory requirement for unquoted organisations of the SECR legislation. Where organisations wish to reflect their purchase of renewable energy, and thus a reduced emission figure based on its purchase, this can be presented in the energy and carbon report using a “contractual (“location”)” or “market-based” reporting approach. In doing so you should also look to specify whether the renewable energy is additional and subsidised – through for example evidence such as Renewable Energy Guarantees of Origin (REGOs).

9.19 A “dual reporting” approach is recommended, whereby organisations report both the grid-average figure (“location-based”), but you may also wish to include contractual emissions (“market-based”) and corresponding intensity ratio based on both figures. This builds on the existing MGHG reporting guidance and will allow the reader of the report to have a full appreciation of the organisation’s actual emissions, and its actions to mitigate those emissions.

9.20 There are several ways these figures may be presented in reports. The templates provided below offers one approach, but this remains guidance, and is not compulsory. Businesses are free to choose from a variety of other approaches, such as that provided by the widely used and recognized GHG Protocol, which includes detailed guidance on dual reporting.

Greenhouse Gas Emissions

9.21 Emissions are defined under three different Scopes by the [GHG Protocol](#). These Scopes are explained more fully later in this guidance, but the table below outlines minimum emissions data that is required under the legislation for quoted and unquoted companies.

Scope 1 (Direct) GHG Emissions	All Scope 1 emissions must be reported. These include emissions from activities owned or controlled by your organisation that release emissions into the atmosphere. They are direct emissions. Examples of Scope 1 emissions include emissions from combustion in owned or controlled boilers, furnaces, vehicles; emissions from chemical production in owned or controlled process equipment.	Mandatory for <u>quoted</u> companies to report <u>Global</u> Scope 1 Emissions	Mandatory for large <u>unquoted</u> companies and LLPs to report <u>UK</u> Scope 1 Emissions as they relate to their UK energy (as a minimum electricity, gas and transport).
Scope 2 (Energy indirect) Emissions	All Scope 2 emissions must be reported. These include emissions released into the atmosphere associated with your consumption of purchased electricity, heat, steam and cooling. These are indirect emissions that are a consequence of your organisation's activities, but which occur at sources you do not own or control.	Mandatory for quoted companies to report <u>Global</u> Scope 2 Emissions	Mandatory for large unquoted companies and LLPs to report <u>UK</u> Scope 2 Emissions as far as they relate to their UK energy use (as a minimum electricity, gas and transport).
Scope 3 (Other indirect)	Emissions that are a consequence of your actions, which occur at sources which you do not own or control and which are not classed as Scope 2 emissions. Examples of Scope 3 emissions are business travel by means not owned or controlled by your organisation, waste disposal which is not owned or controlled, or purchased materials or fuels.	Voluntary for all organisations but strongly encouraged, especially where this is a material source of emissions.	

9.22 Example corporate SECR report for quoted company

Organisations are not required to use this format and are encouraged to go wider than the minimum legal requirements and develop formats that suit their own reporting practices.

Global GHG emissions and energy use data for period 1st April 2019 to 31st March 2020

	Current reporting year 2019-2020		Comparison reporting year 2018-2019	
Emissions from activities for which the company is responsible including combustion of fuel & operation of facilities (Scope 1) / tCO ₂ e [mandatory]				
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2) / tCO ₂ e [location-based factors and/or market-based factors, mandatory to use at least one]				
Total gross Scope 1 & Scope 2 emissions / tCO ₂ e - [mandatory]				
Energy consumption used to calculate above emissions: /kWh [mandatory]	UK and offshore	Global (excluding UK and offshore)	UK and offshore	Global (excluding UK and offshore)
Intensity ratio: tCO ₂ e (gross Scope 1 + 2) / e.g. £100,000 revenue [mandatory]				
Emissions from extraction and production of purchased materials and fuels out of operational control (Scope 3) / tCO ₂ e [optional]				
Emissions from use of sold products and services out of operational control (Scope 3) / tCO ₂ e [optional]				
Emissions from natural gas out of operational control (Scope 3) / tCO ₂ e [optional]				
Emissions from electricity out of operational control (Scope 3) / tCO ₂ e [optional]				
Emissions from transport out of operational control (Scope 3) / tCO ₂ e [optional]				
Total gross Scope 3 emissions / tCO ₂ e [optional]				
Total gross Scope 1, Scope 2 [location / market] & Scope 3 emissions / tCO ₂ e [optional]				
Carbon offsets / tCO ₂ e [optional]				
Total annual net emissions / tCO ₂ e [optional]				
Methodology [mandatory]				
Third Party verification [optional]				

9.23 Energy Efficiency Action Taken: Example narrative report: *In the period covered by the report the Company has installed LED lighting, replaced a heating, ventilation and air conditioning (HVAC) system and upgraded building insulation which is expected to result in an X kWh saving in energy consumption over the next X years.*

9.24 Example corporate SECR report for unquoted large organisations

Note that in the first year of reporting, organisations are not required to disclose information for the comparison year. The template below presents both minimum information to be reported but businesses could choose to voluntarily report total energy use across all energy types, not just electricity, gas & transport, and not just related Scope 1 & Scope 2 emissions.

Global GHG emissions and energy use data for period 1st April 2019 to 31st March 2020

	Current reporting year 2019-2020		Comparison reporting year 2018-2019	
	UK and offshore	Global (excluding UK and offshore)	UK and offshore	Global (excluding UK and offshore)
Energy consumption used to calculate emissions: /kWh [mandatory] – optional to provide separate figures for gas, electricity, transport and other energy sources				
Emissions from activities for which the company is responsible including combustion of fuel & operation of facilities (Scope 1) / tCO ₂ e [mandatory]				
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2) / tCO ₂ e [location-based factors and/or market-based factors, mandatory to use at least one]				
Total gross Scope 1 & Scope 2 emissions / tCO ₂ e - [mandatory]				
Intensity ratio: tCO ₂ e (gross Scope 1 + 2) / e.g. £100,000 revenue [mandatory]				
Emissions from extraction and production of purchased materials and fuels out of operational control (Scope 3) / tCO ₂ e [optional]				
Emissions from use of sold products and services out of operational control (Scope 3) / tCO ₂ e [optional]				
Emissions from natural gas out of operational control (Scope 3) / tCO ₂ e [optional]				
Emissions from electricity out of operational control (Scope 3) / tCO ₂ e [optional]				
Emissions from transport out of operational control (Scope 3) / tCO ₂ e [optional]				
Total gross Scope 3 emissions / tCO ₂ e [optional]				
Total gross Scope 1, Scope 2 [location / market] & Scope 3 emissions / tCO ₂ e [optional]				
Carbon offsets / tCO ₂ e [optional]				
Total annual net emissions / tCO ₂ e [optional]				
Methodology [mandatory]				
Third Party verification [optional]				

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