

Environmental disclosures

The Second Major Review of Environmental Reporting
in the Annual Report & Accounts of the FTSE All-Share



We are the Environment Agency. It's our job to look after your environment and make it **a better place** – for you, and for future generations.

Your environment is the air you breathe, the water you drink and the ground you walk on. Working with business, Government and society as a whole, we are making your environment cleaner and healthier.

The Environment Agency. Out there, making your environment a better place.

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October 2007

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TRUCOSTSM
taking the environment into account

Trucost Plc is an environmental research company, which helps companies and investors understand the environmental impacts of business activities in financial terms.

Foreword

A key priority of the Environment Agency identified in our corporate strategy is “greening business”. We think business and the city has a key role to play in protecting and improving the environment for current and future generations.

Companies that manage environmental risks and reduce their consumption of natural resources can save significant sums of money which benefits their profitability and public reputation.

How companies use raw materials and energy, transport goods and services, carry out their day to day business, release emissions and dispose of waste, and respond to climate change, is important to our economy, shareholders, customers and society.

Therefore we think that companies should report and summarise their environmental performance against specific targets using key performance indicators to their customers, shareholders, and wider stakeholders in their statutory annual report and accounts, with supporting data on their web-sites.

Such disclosures need to be clear and comparable so customers, city analysts and shareholders can truly assess the relative behaviour and prospects of different companies within and between business sectors.

In 2004 we reported on the environmental disclosures in the annual reports and accounts of the FTSE All-Share in 2003/04 to create a baseline before new legal requirements came into effect.

Since 2004 the reporting framework has changed considerably. The Government abolished the OFR requirement and the EU Accounts Modernisation Directive came into force via Company Law requirement for companies to produce a Business Review that require public companies to report on relevant environmental issues using key performance indicators.

Amendments to the 2006 Companies Bill have built on this, requiring directors’ general duties to include the impact of the company’s operations on the community and the environment.

In order to assist business meet these new requirements the Government published guidelines on company reporting with advice on the use of environmental key performance indicators in 2006.

This report presents the disclosures of over 500 FTSE All-Share companies after the new legislative requirements came into effect and Government guidelines were issued and is based on their Annual Reports and Accounts for 2006/07.

Whilst the report evidences there has been some progress from the previous levels of qualitative disclosures, quantitative disclosures are still only made by 34% and very few companies provide sufficient information which was suitable for shareholders and investors to base decisions on.

Environmental issues like scarcity of raw materials, energy costs and climate change are having an increasing financial significance for business. Going forward we urge companies to follow Government guidelines and the best examples of reporting to so that the city and business helps maintain and improve the environment.

Contents

A review of environmental reporting in 2006	4
Important changes to company law	7
What is driving environmental disclosure?	13
Assessing what is reported	19
Waste management	24
Climate change and energy use	27
Water usage and abstraction	32
European Union Emissions Trading Scheme	36
The business review – has regulation worked?	39
Quantification of environmental issues – are disclosures comparable?	40
Progress and next steps	42
Appendices	44

A review of environmental reporting in 2006

This study reveals that the environment has found its way into most annual reports and accounts. This is good news. However, we should not be complacent: there is a long way to go. Hard facts and figures are still few and far between. Most annual reports and accounts do not yet give us relevant, comparable figures in which decision-makers can have confidence.

What follows is a full review of environmental reporting, a year in which the new Accounts Modernisation Directive should start to bring changes to the way companies report on environmental issues. The study looks at companies in the FTSE All-Share index¹, all of which are required to report under the new regime.

An ongoing programme of review

In an update to our 2004 study, we look at what changes can be seen so far. The 2004 report provided a baseline of the environmental disclosures of FTSE All-Share companies before new company law required an Operating and Financial Review (OFR). Although the OFR has been repealed, these companies must still fulfil the obligations of the Business Review regulations which apply to all public companies. Business Reviews must disclose, where appropriate, key performance indicators (KPIs) for the environment. In January 2006, the Government published guidelines on such indicators.

This study sheds light on companies' responses to other relevant EU initiatives, such as the EU Emissions Trading Scheme. It also considers the Environmental Liability Directive and looks at the EU Commission's recommendations on annual reports and accounts.

The main findings

- **Nearly all companies now report on the environment in some way.** However, much environmental reporting is still at a very basic level – it may be just a one-word mention of a key phrase that this study was designed to identify. (Ninety eight per cent of the companies referred to the environment in 2006, compared to 89% in 2004.)
- **In particular, FTSE Small Cap companies have increased their level of environmental reporting** since the 2004 report. They now report at a similar level to FTSE 350 companies. (Ninety seven per cent of Small Cap companies referred to the environment in 2006, compared to 80% in 2004.)
- **Only 42% of the companies surveyed provided statistics and figures** in their annual reports and accounts. However, there has been an increase in the level of quantified disclosures – up 15% from 27% in 2004. Only 15% provided quantified disclosures that enabled direct comparison between the environmental performance of companies.
- **Of the companies that did report fully comparable statistics and figures, 63% reported on just one topic out of water, waste, and energy use/climate change.** Twenty one percent reported on all three topics. (In 2004, 58% reported on one topic and 10% on all three.)
- **Thirty five per cent of companies made environmental disclosures in the audited sections of their annual report and accounts.** Fifty per cent made disclosures in either their OFR, Business Review or Directors' Report. These sections are reviewed for consistency with the audited parts of the annual report and accounts. The numbers show a big increase since 2004, when just 12% of companies made environmental disclosures in audited sections.

Some things have not changed significantly since the 2004 report:

- **Very few disclosures are comprehensive** or enable shareholders to assess the financially material environmental risks or opportunities facing a company.
- **Only 15% of companies used the Defra Key Performance Indicators guidance to produce a disclosure** which is an absolute quantitative figure that applies to the whole company. Only this level of disclosure allows an accurate assessment of a company's environmental impacts and enables comparison.
- **Climate change or energy use:** 29% of companies reported quantified figures on this, but only 12% disclosed information in accordance with Government guidance.

- **Waste management:** 27% of companies reported quantified figures on this, but only 8% disclosed information in accordance with Government guidance.
- **Water use:** 12% of companies reported quantified figures, but only 4% did so in accordance with UK Government guidelines.
- **Only 3% reported an absolute quantitative figure on water, waste, and energy use/climate change,** that was fully in accordance with the three core KPIs identified by UK Government guidelines.

Figure 1 sets out the key environmental findings from this report and compares, where applicable, to the 2004 report.

Figure 1 Key Statistics on Environmental topics and frequency of environmental disclosures

	2004	2006
Number of Companies Analysed	506	537
% of FTSE All-Share companies with an environmental disclosure	89%	98%
% of FTSE Small Cap with an environmental disclosure	80%	97%
% of FTSE All-Share companies with environmental disclosures in audited sections of their annual report and accounts	10%	35%
% FTSE All-Share companies with quantitative reporting	27%	42%
% FTSE All-Share companies reporting quantified figures on waste	N/A	27%
% FTSE All-Share companies reporting quantified figures on climate change or energy use	N/A	29%
% FTSE All-Share companies reporting quantified figures on water	N/A	12%
% FTSE All-Share companies reporting quantified figures in accordance with Government guidance	10%	15%
% FTSE All-Share companies reporting quantified figures on waste in accordance with Government guidance	N/A	8%
% FTSE All-Share companies reporting quantified figures on climate change or energy use in accordance with Government guidance	N/A	12%
% FTSE All-Share companies reporting quantified figures on water in accordance with Government guidance	N/A	4%
% FTSE All-Share companies reporting quantified figures on all three core environmental KPIs in accordance with Government guidance	N/A	3%

What needs to happen

Environmental disclosures now feature in most annual reports and accounts. However, facts and figures are few and far between and most annual reports and accounts do not yet meet the voluntary UK Government guidelines for environment reporting. Unfortunately this means companies often do not provide us with relevant, comparable figures on which shareholders and investors can rely.

The fact remains that only 82 companies make a disclosure which, using an absolute quantitative figure that applies to the whole company, is in accordance with Government guidelines. Yet the new Business Review legislation states that companies *'must, to the extent necessary for an understanding of the development, performance and position of the business of the company, include analysis using financial key performance indicators, and where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employees'*.

It is difficult to see how shareholders, investors and other stakeholders can judge the environmental performance of companies unless they have this form of quantified data with which to make comparisons.

The UK Government has published guidelines: *Environmental Key Performance Indicators – Reporting Guidelines for UK Business*². The UK favours a 'comply or explain' approach and the guidelines are voluntary.

“These Guidelines seek to set a standard which will give business some assurance that it has reported its environmental performance to an appropriate minimum level of accuracy and detail.”

Defra, 2006

The UK Government has made it clear that environmental reporting is now a permanent fixture in company reporting and that the Key Performance Indicators guidelines, published by the Department for Environment, Food and Rural Affairs (Defra) in January 2006, are a good place to start. The Environment Agency's strategic target is that 95% of FTSE All-Share companies should disclose quantified information on their environmental impacts.

A standard structure for annual reports and accounts would help readability and comparability. The present structure and presentation of annual reports and accounts could be simplified and improved. Some companies still have a section called an Operating and Financial Review; some include a Business Review. Others go for an Operating Review or Directors' Report. All this makes it harder for readers to navigate and compare disclosures made in annual reports and accounts. The Companies Act 2006 and the International Accounting Standards Board work on Management Commentary could help to improve matters. Companies can derive reputational and financial benefits from improving reporting of financially material issues. The UK Government, the Financial Reporting Council (FRC), the Accounting Standards Board (ASB) and the Financial Service Authority (FSA) all have a key role to play in encouraging companies to do so. Furthermore, companies themselves should be demanding a standardised reporting structure, providing a level playing field for the reporting of environmental KPIs to assist in ensuring their competitiveness in increasingly global markets.

Important changes to company law

The Environment Agency has commissioned this study as part of an ongoing programme to review corporate reporting. The study looks at environmental disclosures within the statutory annual reports and accounts of FTSE All-Share companies.

We want to see all businesses, large and small, make changes that will benefit the environment. But we recognise that companies need to measure environmental impacts before they can manage them. We are therefore using the new company law regulations to encourage the disclosure of more environmental information to stakeholders and investors. If these disclosures are to be of practical use, the information will need to be relevant, comparable and reliable. We are therefore pushing for the greater use of quantified information.

This study is an update to a report produced by us³ in 2004. That report provided a baseline of the environmental disclosures of FTSE All-Share companies prior to the new Business Review regulations⁴. These regulations were enacted in 2005 as an amendment to the 1985 Companies Act.

The 2004 report found that for most companies there was a lack of meaningful quantified information. Although 89% of companies mentioned some aspect of their interaction with the environment, most disclosures lacked rigour, depth or quantification. Very little reporting could be described as comprehensive or even adequate for shareholders to assess the environmental risks or opportunities facing a company.

An update, published in 2006, investigated the progress made by FTSE All-Share companies on environmental reporting since the 2004 report. It included an analysis of 100 FTSE All-Share companies' annual reports. These were the first 100 companies that had to comply with the revised company law regulations. The 2006 update saw an improvement in environmental reporting – 96% of the companies surveyed mentioned some aspect of their interaction with the environment. However, their disclosures faced the same criticism levied in the 2004 report, namely a lack of rigour, depth or quantification.

Our aim in this report is to investigate what progress has been made since 2004. The report analyses the annual reports of FTSE All-Share companies, all of which now have to comply with the revised company law regulations. These regulations require companies with significant environmental impacts to report them in a Business Review as part of their annual reports and accounts.

Companies must provide analysis using financial key performance indicators. Where appropriate, they must also set out analysis using other key performance indicators, including information relating to environmental matters. The Government has issued comprehensive guidance to help companies to report environmental key performance indicators².

This current report shows what changes can be seen so far. It looks at the Business Reviews produced after the implementation of the EU Accounts Modernisation Directive. It sheds light on companies' responses to other relevant EU Directives such as the EU Emissions Trading Scheme. The report also considers the Environmental Liability Directive and looks at the EU recommendations on annual reports and accounts.

The companies in the study which are also listed in the US are obliged to make filings to the Securities and Exchange Commission (SEC). We have looked at the impact on these companies of the Sarbanes-Oxley Act and the Financial Accounting Standards Board (FASB) Interpretation 47 (Accounting for Conditional Asset Retirement Obligations).

The repeal of the Operating and Financial Review regulations in late 2005 caused considerable confusion. We therefore hope that this study will help directors to understand their new reporting obligations.

What do directors need to know?

A fundamental review of company law has tightened statutory controls on directors with regards to environmental issues

All public companies should report relevant environmental impacts in their 'Business Review'

Directors need to understand the Companies Act and the Business Review requirement of the EU Accounts Modernisation Directive (EU AMD)

Government guidance on environmental reporting defines key performance indicators

Since April 2005, UK company law requires that all quoted companies include relevant environmental information in a 'Business Review'. This must include analysis using key performance indicators as part of audited annual reports and accounts.

Deciding what to include is ultimately the decision of the directors, who are legally liable for the adequacy of information included. Among the changes under the Companies Act, which became law towards the end of 2006, is the right for shareholders to sue directors of the company for breaches of duty. One such duty is that a director must promote the success of the company, and that in so doing he or she must have regard to a number of factors. These include 'the impact of the company's operations on the community and environment'.

The guidance to the Act from the DBERR states that, 'In having regard to the factors listed, the duty to exercise reasonable care, skill and diligence will apply. It will not be sufficient to pay lip service to the factors, and, in many cases, the directors will need to take action to comply with this aspect of the duty.' In addition, under the new Companies Act, quoted companies have increased environmental reporting obligations. If companies choose not to report on environmental matters, they must make a positive statement to that effect.

This report looks at the Business Review which resulted from the EU Accounts Modernisation Directive and which is required by the 1985 Companies Act amendments. But first it looks at the Companies Act, which places significant obligations on directors in respect of environmental matters.

Companies Act 2006

The repeal of the Operating and Financial Review regulations caused widespread concern among the business community and other external stakeholders. This led to an amendment to the Companies Bill. The amendment expands the requirements of the Business Review for quoted companies listed on the London Stock Exchange's main market. It echoes the language of the abolished OFR.

The amendment requires that these Business Reviews 'to the extent necessary, for an understanding of the development, performance or position of the company's business, include:

- (a) the main trends and factors likely to affect the future development, performance and position of the company's business; and
- (b) information about –
 - (i) environmental matters (including the impact of the company's business on the environment),
 - (ii) the company's employees, and
 - (iii) social and community issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies.
- (c) subject to subsection (11), information about persons with whom the company has contractual or other arrangements which are essential to the business of the company.'

If the Business Review does not contain the information identified above, it must point out the omission and say what type of information has been left out. For completeness, section 11 stipulates that disclosure should not be 'seriously prejudicial to that person and contrary to the public interest.'

The OFR required quoted companies to comply with the Accounting Standards Board's Reporting Standard 1 (RS1). As the OFR is no longer mandatory, RS1 has been reissued as a best practice statement, *Reporting Statement: Operating and Financial Review*. This reflects the fact that many companies still produce an OFR.

The Department for Business, Enterprise and Regulatory Reform (formerly the Department for Trade and Industry) recognised that RS1 while 'developed for the mandatory OFR, should be useful for companies both in the preparation of the Business Review in the Directors' Report and a voluntary OFR'.⁴ The statement sets out best practice advice on the use of key performance indicators (KPIs), which are required for the Business Review as well as for the OFR.

Government reporting guidelines for UK business

In January 2006, the Department for Environment, Food and Rural Affairs (Defra) published further guidelines on environmental reporting, *Environmental Key Performance Indicators: Reporting Guidelines for UK Business*. This followed a lengthy consultation with companies, trade and professional bodies, and public sector organisations. The guidelines set out a total of 22 environmental KPIs across all sector types. They identify those industry sectors for which specific KPIs are most likely to be relevant. Companies that follow these guidelines will get their environmental reporting off to a good start.

No company is expected to report on all 22 KPIs. An analysis of business sectors suggests that approximately 80% of companies are likely to have five or fewer KPIs and around 60% have three or fewer KPIs. Some companies already have sophisticated reporting systems in place that enable them to identify and publish their KPIs. The Government guidelines are intended to help many more businesses to understand their KPIs. This will in turn will help businesses to understand and improve their environmental performance.

Elliot Morley, then Minister for the Environment, said, 'These guidelines seek to set a standard which will give business some assurance that it has reported its environmental performance to an appropriate minimum level of accuracy and detail.' The new statutory duties of directors make it even more important to have this assurance.

Statutory statement of directors' general duties

A key part of the Companies Act 2006 is a statutory statement of directors' general duties. This includes a new duty to promote the success of the company. The Act states that directors must have regard to:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the company's employees;
- (c) the need to foster the company's business relationships with suppliers, customers and others;
- (d) the impact of the company's operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct;
- (f) the need to act fairly as between members of the company.

Point (d) gives greater weight to environmental matters in UK boardrooms. This is further strengthened by the Companies Act, which extends the rights of shareholders to sue directors for negligence and other defaults.

There has been some concern that the new provisions may be abused by disgruntled or activist shareholders. A shareholder could claim for negligence, and for breach (or threatened breach) of the new general statutory duties. There could also be claims relating to breaches of regulatory obligations, such as environmental regulations.

However, there is also evidence that business leaders understand the important role that companies must play in tackling environmental issues. The Corporate Leaders Group on Climate Change (CLG) brings together business leaders from major UK and international companies who believe that there is an urgent need to develop new and longer-term policies for tackling climate change. The group includes B&Q, John Lewis, Shell, Standard Chartered Bank, Tesco and Vodafone. It is currently working with the UK Government to push for greater domestic and international progress in reducing greenhouse gas emissions. These larger companies are also adopting environmental criteria in procurement. This raises the issue of environmental performance in their supply chains. The CEO of British Sky Broadcasting, James Murdoch, said that, 'The carbon footprint of a company is a figure that every business leader should know and should manage'.

The requirement for a Business Review

In 2006 we saw the first annual reports and accounts produced under the new reporting requirements of the EU Accounts Modernisation Directive (2004/109/EC). This came into force on 15 December 2004 and was transposed into UK legislation on 1 January 2005. The Directive affects all reports for financial years ending on or after 1 April 2005. It applies to all EU countries and in the UK it is now part of the Companies Act requirements.⁵

The Directive is part of the Financial Services Action Plan that aims to create efficient, transparent and integrated securities markets. The Action Plan identified a series of actions needed in order to complete the single market for financial services. This included the adoption by European companies of International Accounting Standards.

The Directive is also part of a move to increase non-financial reporting or management commentary. Readers of reports need a fuller understanding of the companies in which they invest. An International Accounting Standards Board (IASB) Discussion Paper says that management commentary explains that ‘the main trends and factors underlying the development, performance and position of the entity’s business during the period covered by the financial statements. It also explains the main trends and factors that are likely to affect the entity’s future development, performance and position’.

To meet the objective of effective narrative reporting, the IASB says that an entity’s management commentary should disclose information on:

- the nature of its business;
- its objectives and strategy;
- its key resources, risks and relationships;
- its results and prospects;
- its performance measures and indicators.

The EU Accounts Modernisation Directive

European legislation asks for analysis of non-financial issues, such as the environment. It looks for companies to report performance measures through key performance indicators. Large European companies now have to report on relevant environmental matters in their annual reports and accounts.

The inclusion of environmental issues in the Directive stems from the EU Commission’s 2001 *Recommendation on the Recognition, Measurement and Disclosure of Environmental Issues in the Annual Reports and Accounts of Companies* (2001/453/EC). This stated that:

‘The lack of explicit rules has contributed to a situation where different stakeholders, including regulatory authorities, investors, financial analysts and the public may consider environmental information disclosed by companies to be either inadequate or unreliable.’

The Commission was of the opinion that: ‘There is a justified need to facilitate further harmonisation on what to disclose in the annual accounts and annual reports of enterprises in the European Union as far as environmental matters are concerned. The quantity, transparency and comparability of environmental data flowing through annual accounts and annual reports of companies must also be increased.’

There is a move to increase non-financial reporting or management commentary as this helps the readers of reports to gain a fuller understanding of the companies in which they invest.

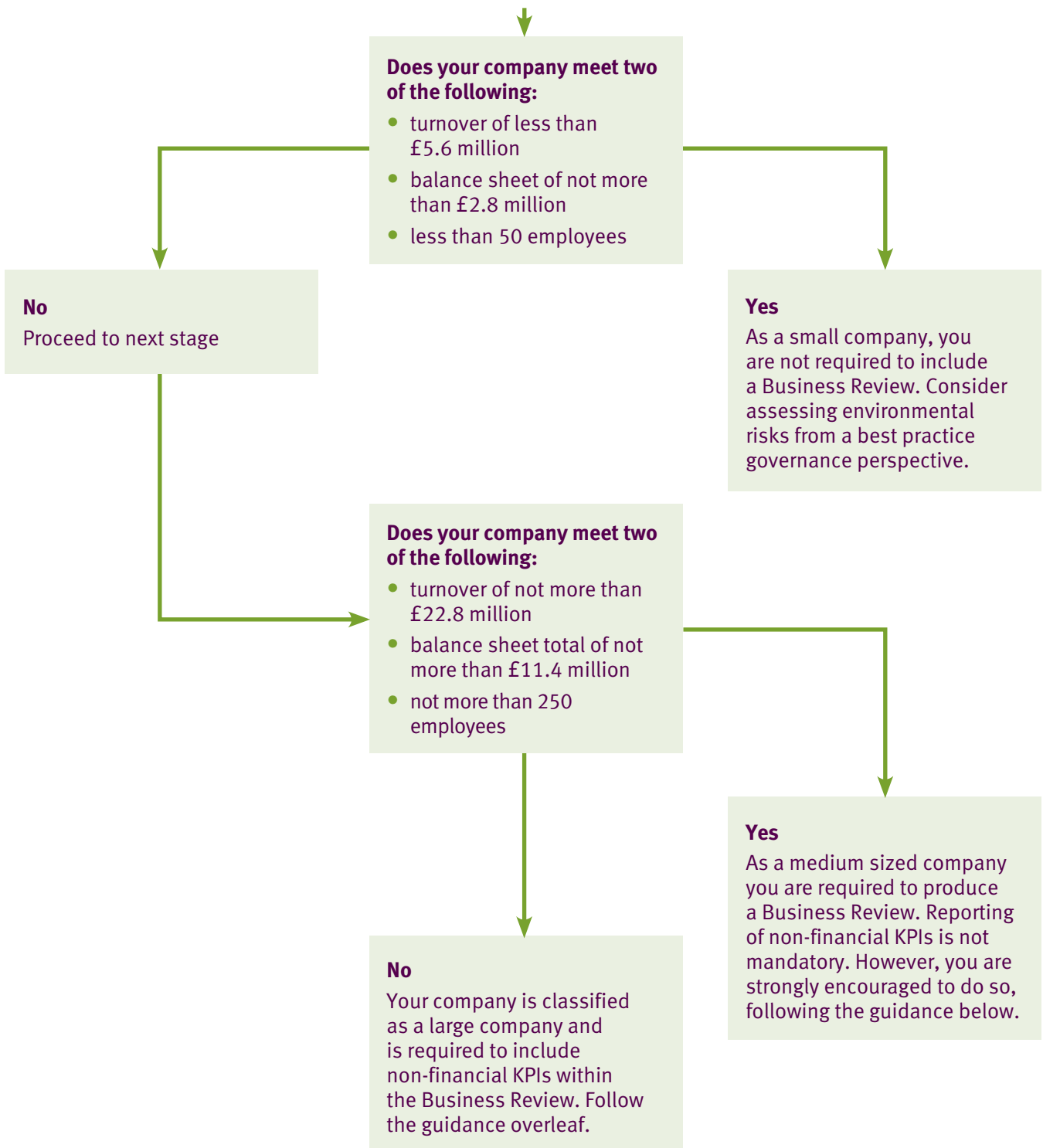
In the UK, there has been some confusion regarding the reporting of non-financial information in annual reports. This is because at the same time that the EU AMD was introduced, the Government also introduced the Operating and Financial Review (OFR). The OFR applied to all companies listed on the main markets and had mandatory reporting requirements on non-financial issues including the environment.

The OFR was developed in parallel with the EU AMD, although there was cross-over between the two. A number of UK companies had voluntarily produced OFRs for several years, in response to requests for this type of narrative reporting from a range of external stakeholders including shareholders. However on 28 November 2005, the Chancellor, Gordon Brown, announced the abolition⁵ of the Operating and Financial Review (OFR) on the grounds that it ‘gold-plated’ the EU AMD. Unfortunately, a large number of listed companies mistakenly thought that the non-financial reporting requirements for listed companies had been abolished entirely. However public companies, which are in effect regarded as ‘large’ companies in UK law, are already bound by the requirements of the EU AMD. From 1 October 2007, they will also have had to meet the requirements of the new Companies Act. This means that all public companies, defined as ‘large’, will have to follow the new reporting requirements and should, where appropriate, include an analysis of environmental matters. It is up to the directors to decide whether or not such information is material to the business.

What do directors need to do?

There was considerable confusion when the OFR was abolished. It is therefore important that directors understand what reporting requirements apply to them. All European businesses, except small companies, now have to produce a Business Review. To see whether the reporting requirement of non-financial KPIs applies to your company, follow the decision tree opposite:

Environmental KPIs



For further guidance on reporting non-financial KPIs follow the advice overleaf. For further information see:

<http://www.defra.gov.uk/ENVIRONMENT/business/envrp/index.htm>

As of 1st October 2007 all publicly listed companies will have to follow the new reporting requirements of the Companies Act, and should report on material environmental matters.

The above decision tree is for guidance only and does not constitute legal advice.

Large companies are required to include within the Business Review, ‘to the extent necessary for an understanding of the development, performance and position of the business of the company,

- (a) analysis using financial key performance indicators, and
- (b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters, employees, and the supply chain.

Defra has published clear guidance on how to report environmental performance: *Environmental Key Performance Indicators: Reporting Guidelines for UK Business*. The guidelines set out a five-step process for reporting relevant environmental KPIs:

Step 1 – Determine relevant KPIs

Different types of businesses will need different KPIs. Defra publishes significant KPIs for over 50 business sectors. These are a good starting point. Companies may also review disclosures made by similar companies or by a ‘good reporter’. This would provide a good benchmark for reporting.

Step 2 – Identify audience and decide on reporting medium

It is important to ensure that the KPIs chosen meet the expectations of the key audiences or stakeholders. Stakeholders may include: shareholders, employees, Government, suppliers, customers, academics, consultancies, the local community and NGOs.

Step 3 – Review data requirements and sources

The next step is to gather the relevant data. Some companies may already be collecting data; others will need to consider the most appropriate way of doing so. Defra recommends the use of Environmental Management Systems. For more information on these, go to <http://www.defra.gov.uk/environment/business/scp/ems.htm>

Step 4: Collect further data as necessary

Some companies may need to collect more information than they do now.

Step 5: Report on relevant KPIs

Once the appropriate information has been gathered, the relevant KPIs can be reported in the annual reports and accounts.

This process will need to be repeated annually.

What is driving environmental disclosure?

This section outlines the existing framework in which UK-listed companies report on environmental issues. This framework encompasses accounting standards, listing requirements, operating regulations and other non-mandatory reporting guidelines. We have identified some of the factors that might motivate or require a company to disclose information to its shareholders about its interactions with the environment.

Accounting and reporting standards

New environmental accounting and management accounting standards

Key EU Directives and US requirements outlined

All UK-listed companies have to file annual reports and accounts with Companies House. Accountancy standards are set by the Accounting Standards Board, which publishes Financial Reporting Standards (FRS). These standards are enforced by the Financial Reporting Review Panel (FRRP). Since 2005 all listed EU companies have had to report in accordance with International Accounting Standards. Dual-listed companies also have to comply with financial reporting requirements in the countries where they have an additional listing.

As discussed in the previous section, the EU Accounts Modernisation Directive requires large companies to report on environmental issues, where appropriate. There are additional requirements for public companies, as set out in the 2006 Companies Act. In addition, FRS12 (provisions, contingent liabilities and contingent assets) requires a company with environmental provisions or contingent liabilities to disclose the amount and the circumstances in its annual report and accounts. Companies are also obliged – under FRS10 (recognition of tangible and intangible assets) and FRS11 (impairment of assets) – to account for changes to asset values that stem from environmental factors, where the companies are of the opinion that such factors are financially material.

The EU Emissions Trading Scheme, which came into effect in January 2005, should increase reporting under these FRS. Companies must now recognise their allocations as assets, to be revalued over time as the fair value (defined by market price) changes. These assets will be owned by the company, not by the installations to which they are allocated. As such, they represent a significant and immediate creation of value to companies within the Scheme.

International Financial Reporting Interpretations Committee 3 Emission Rights

In June 2005, the International Accounting Standards Board (IASB) decided to withdraw the International Financial Reporting Interpretations Committee (IFRIC) 3 *Emission Rights* with immediate effect.

The IASB also decided to reconsider in a more comprehensive way the accounting for cap and trade emission rights schemes. This will affect its project to amend IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*. IAS 20 is an important accounting standard for participants in the EU Emissions Trading Scheme. In late 2005 the Board stated the project aims to amend IAS 20 by applying the accounting model for Government grants contained in IAS 41 (*Agriculture*) to all Government grants. The IAS 41 model establishes the following principles for recognising grants related to assets measured at fair value through profit and loss:

- Recognise the grant when it becomes receivable.
- Recognise income when the conditions attached to the grant have been met.

New guidance from the International Federation of Accountants on environmental management accounting

Increasingly businesses need to cost the environmental aspects of their operations. The International Federation of Accountants (IFAC) has therefore issued new guidance on Environmental Management Accounting (EMA). The guidance was commissioned by IFAC and supported by the United Nations Division for Sustainable Development. The latter provides the expertise on sustainable development within the United Nations.

The guidance is aimed primarily at professional accountants within organisations. However, it will also be of interest to accountants and auditors who are becoming more involved in tracking or verifying information related to the environment in financial and other reports. IFAC President Graham Ward says, ‘Our goal in issuing this document is to reduce confusion on this important topic and to provide a framework and set of definitions that is comprehensive, yet as consistent as possible with other existing environmental accounting frameworks with which EMA must coexist. We believe this document⁶ will achieve this goal.’

Accounting for asset retirement obligations

Asset retirement obligations (AROs) are costs relating to site restoration or to the closure or removal of long-lived assets which the enterprise is under an obligation to incur⁷. Legal obligations arising under environmental laws are a common source of AROs. Environmental laws frequently regulate the manner in which property, plant, and equipment are disposed of, recycled, remediated, or restored upon their retirement⁸.

FASB Statement No 143 (effective June 2003) and Interpretation No 47 (effective December 2005) require companies reporting under US GAAP to account for AROs arising from their operations anywhere in the world. Prior to FAS 143, environmental legal obligations relating to company owned assets were accounted for generally as loss contingencies under FAS 5, if at all. In the past, AROs have often not been reported as liabilities.

This is because companies have argued that such obligations could be deferred indefinitely, for example by mothballing contaminated properties. As such, the obligations were considered to fall short of the recognition criteria set out in FAS 5.

UK companies should be aware that the International Accounting Standards Board (IASB) is also taking action to require the recognition of AROs, and in a more comprehensive manner. In June 2005, the IASB issued an exposure draft to amend IAS 37

(the IASB equivalent of FAS 5). This would modify the recognition and measurement principles for contingent liabilities. The proposed amendments would be broadly in line with the recognition and measurement principles that underpin FAS 143 and FIN 47. However, the amendments would extend the recognition of environmental liabilities that are not related to the retirement of an asset.

In the past, failures to account for AROs have resulted in significant losses – both financial and social – which have affected creditors, shareholders, Governments and communities⁹. Accounting for AROs in full may significantly increase the transparency of environmental financial reporting.

However, the initial implementation of FAS 143 and FIN 47 in the US has been inconsistent across sectors and among similarly situated companies within the same industry¹⁰. The inconsistent application of these standards gives rise to concerns about the quality of corporate governance and internal controls among US reporting companies. Indeed, several US companies have reported ‘material weaknesses’ in internal controls over their financial reporting relating to AROs under the provisions of Sarbanes-Oxley¹¹.

For further information on international accounting and reporting standards please refer to Table 1 in the appendices.

Other regulatory drivers

Environmental Regulation is increasing in many jurisdictions

The EU Emissions Trading Scheme has been implemented and places a cost on carbon emissions

The Transparency Directive, Prospectus Directive and Environmental Liability Directive increase reporting and accounting requirements

The Treaty of Amsterdam (1999) identifies the principle of sustainable development as one of the European Community’s aims and makes a high degree of environmental protection one of its absolute priorities. This section outlines key legislation from the EU that is likely to impact on companies’ environmental reporting.

In addition the Securities and Exchange Commission (SEC) is getting tougher on companies that fail to report accurately on their environmental risks. There are strict new financial accounting standards. A recent enforcement action against ConAgra Inc is evidence of this new approach¹⁵. Around 200 of the UK’s leading companies are listed in the US and this section considers the impact of important US legislation.

The latter parts of this section look at the mounting pressure from institutional investors and pension fund trustees for companies to provide environmental information and data.

The EU Emissions Trading Scheme

The EU Emissions Trading Scheme (EU ETS) marks a real shift in business thinking. The issue of carbon emissions no longer belongs solely to the environmental officer: it is now a material issue in the boardroom for the senior financial and executive officers.

The EU ETS is one of the policies being introduced across Europe to tackle emissions of carbon dioxide and other greenhouse gases and to combat the serious threat of climate change.

The Scheme began on 1 January 2005. The first phase runs from 2005 to 2007. The second phase will run from 2008 to 2012 to coincide with the first Kyoto Commitment Period. Further five-year periods are expected subsequently. The ETS creates winners and losers. It creates benefits because firms are given free allowances which then have a value (the market price for the allowances). The allowances can be sold at that price or used to offset actual emissions.

The ETS also creates costs because firms have to buy allowances for emissions that are in excess of their allocation. Irrespective of whether they fall within the Scheme, all companies are likely to be affected by it as their input costs may rise. For example, the ETS has significantly increased the cost of electricity used in production processes. Phase one is in many ways a trial period. The Commission is using the information from the first phase in order to:

- assess what Member States' caps should be for Phase two;
- set out indicative figures for substantial cuts from most Member States.

In the UK, the projections for emissions by 2010 have risen by around 11 million tonnes of CO₂. The second phase of the ETS will expand to cover an additional 160 installations, responsible for 9.5 million tonnes of carbon dioxide that are not covered in the current trading phase.

This means that the UK Government is looking to reduce carbon emissions from current levels by eight million tonnes annually. Allocations to industrial sectors, which include those sectors most open to international competition, will continue to be on the basis of need. The electricity supply sector is mainly insulated from international competition. Its allowances could therefore be set at a lower level, and be subject to auctioning (likely to be around 7%).

Under Phase two of the EU ETS, up to 10% of allowances can be auctioned. Obviously the

final amount raised by the auction cannot be determined in advance, but it will be substantial. These additional costs will clearly affect the price paid by electricity consumers.

The Transparency Directive

Member States had to implement the Transparency Directive by 20 January 2007. The Transparency Directive is part of the drive for a single European market. The Directive aims to harmonise the disclosure by EU-listed companies of accurate, comprehensive and timely information. It sets minimum content requirements for annual and interim reports in order to establish a high standard of reporting. This should enable investors to make informed investment decisions on a pan-European basis.

A number of commentators, including the Financial Markets Law Committee, believe that the Transparency Directive may increase the existing liability of companies and their directors with respect to the accuracy of reporting.

As required by the Transparency Directive, the new 90A section of the Financial Services and Markets Act 2000 establishes a new statutory liability. Issuers, with an accounting year beginning on or after the 20th January 2007, will be liable for fraudulent misstatements in periodic disclosures to the market. In response to industry concerns, the Government commissioned the Davies Review of Issuer Liability. This was an independent review of liability for corporate misstatements to the market.

The executive review of the Davies report states:

'Key to the independent Davies Review's inquiry has been striking the right balance between incentives needed to encourage companies to disclose accurate, timely and meaningful information and the rights of investors who rely on misleading statements to make investment decisions to claim damages for losses suffered.'

Amongst other recommendations, the review recommends that the new reporting regime be extended to exchange-regulated markets, including AIM and Plus-listed companies.

Directors need to be confident that their processes and procedures ensure accurate reporting. This is particularly true in areas where companies may have limited experience – such as in environmental reporting using KPIs. Environmental matters are increasingly financially material to a companies performance, and in the context of the Davies Review, directors should ensure their disclosure meets the expectations of share-holders.

The Prospectus Directive

The Prospectus Directive sets out the initial information which must be disclosed by the issuers of securities, where those securities are offered to the public in the EU or are admitted to trading on a regulated market in the EU. The Directive allows issuers to raise capital across the EU on the basis of a single prospectus. It requires equity issuers to disclose in a prospectus a description of any environmental issues that may affect the issuer's use of tangible fixed assets. The Financial Services Authority sets out this requirement in the minimum disclosure requirements for the share registration document.

Environmental Liability Directive

The proposed Environmental Liability Directive aims to prevent and rectify environmental damage, specifically:

- damage to habitats and species protected by EU law;
- damage to water resources;
- land contamination which presents a threat to human health.

The Directive is based on the 'polluter pays' principle, namely that polluters should bear the cost either of putting right the damage they cause to the environment, or of measures to prevent an imminent threat of damage.

The Directive provides specific criteria to establish when damage is 'significant'. Member States will have a duty to ensure that the necessary preventive or restorative measures are actually taken. Operators carrying out 'hazardous' activities will be held strictly liable for preventing or putting right any damage caused by those activities to land, water and protected habitats and species. In many cases there will be no need for regulators, such as the Environment Agency, to show fault or negligence.

In addition, operators carrying out other, less harmful, activities will be held liable when their fault or negligence causes damage to protected habitats and species. The Directive applies only to damage from incidents occurring **after it comes into force**. The second consultation on the draft legislation to implement the Environmental Liability Directive is likely to begin in Autumn 2007.

US Sarbanes-Oxley Act

Foreign private issuers had until the first fiscal year ending on or after 15 July 2006 to comply with the Sarbanes-Oxley Act. This requires CEOs, CFOs and other members of management to certify the accuracy and completeness of financial statements.

Sarbanes-Oxley has had widespread repercussions. Surveys of companies with US listings suggest that a number may consider de-listing because of Sarbanes-Oxley, in spite of the difficulties of taking shares off the US exchanges. Companies not listed in the US have said that Sarbanes-Oxley would dissuade them from seeking a US listing.

The Sarbanes-Oxley Act does not directly address environmental reporting. Nor does the Financial Accounting Standards Board (FASB) Statement No 5, *Accounting for Contingencies*, which has been in effect since 1 July 1975. However *Accounting for Contingencies* presents a potential risk to companies and management that under-report environmental liabilities. This is because it requires the accrual of liabilities if the liability was incurred before the date of the financial statements and if the amount of the liability can be reasonably estimated. The European approach may be more flexible but is also more open to abuse. This view is expressed in an article entitled *End of American dominance in capital markets*, written by Hal Scott and George Dallas. Hal Scott is professor of law at Harvard Law School and director of its international financial systems programme; George Dallas is a managing director at Standard & Poor's based in London. Scott and Dallas argue that:

'While the European approach to regulation may prove to be a more adaptable and sustainable model for global companies, we also need to be alert to its vulnerabilities. The effectiveness of the "comply or explain" regime, with fewer regulatory teeth, will hinge on greater discipline by market participants. Investors, intermediaries and other gatekeepers increasingly must seek credible explanations from companies that do not comply with voluntary governance codes and must be prepared to alter investment strategies if these explanations are lacking.'

It may be that the US and European regulatory approaches are becoming more similar over time. This is certainly the case in the important area of asset retirement obligations, which is discussed below.

Investor and NGO pressure

Pressure to report on significant environmental issues is increasing – due to greater stakeholder demands and, in particular, closer scrutiny from investors.

Investors and pension fund trustees

Institutional investment groups and pension fund trustees have a growing need for information from companies on their environmental performance. On 3 July 2000, an amendment to the Pension Act 1995 came into force. It requires the Trustees of occupational pension schemes to disclose through their Statement of Investment Principles (SIPs) ‘the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments’.

In October 2005, Freshfields Bruckhaus Deringer produced a legal framework for the integration of Environmental, Social and Governance (ESG) issues into institutional investment. This was undertaken for the Asset Management Group of the United Nations Environment Programme Finance Initiative. The report concluded that:

‘Conventional investment analysis focuses on value, in the sense of financial performance... the links between ESG factors and financial performance are increasingly being recognised. On that basis, integrating ESG considerations into an investment analysis so as to more reliably predict financial performance is clearly permissible and is arguably required in all jurisdictions.’

The same point was stressed by Mercer Investment Consulting in *A Climate for Change – A Trustee’s Guide to understanding and addressing Climate Risk*, August 2005. In it they advised:

‘Considering that both the physical and mitigation-related policy impacts of climate change will influence the ability for companies to create and maintain wealth for shareholders (in the short- and long-term), pension trustees will want to ensure that these risks (and associated opportunities) are being addressed in relation to the funds in their care.’

United Nations Principles for Responsible Investment

Principles for Responsible Investment (PRI) is an initiative of the UN Secretary-General. It was implemented by the United Nations Environment Programme Finance Initiative and the UN Global Compact in April 2006. There is a growing view among investment professionals that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios. Investors fulfilling their fiduciary duty therefore need to give appropriate consideration to these issues.

The signatories to PRI include asset owners and investment managers with total assets held or managed of greater than USD 10 trillion. They sign up to six principles and agree either to report on how they implement them or to provide an explanation where they do not comply with them. The six principles are to:

- incorporate ESG issues into investment analysis and decision-making processes;
- be active owners and incorporate ESG issues into our ownership policies and practices;
- seek appropriate disclosure on ESG issues by the entities in which we invest;
- promote acceptance and implementation of the Principles within the investment industry;
- work together to enhance our effectiveness in implementing the Principles;
- report on our activities and progress towards implementing the Principles.

The initiative was launched in April 2006 at the New York Stock Exchange. It now has 183 signatories, including the Environment Agency pension fund and the London Authority pension fund. Donald MacDonald, Chair of the PRI and a Trustee of the British Telecom Pension scheme, said on the first anniversary of the initiative,

‘In the first year, we have focused on spreading the word, signing up investors and putting in place the nuts and bolts to support signatories in implementing the Principles, including development of a robust process to monitor progress. We have great buy-in from the investment community, and we now have in place the support structures to assist in implementation. So year two is about action.’

Leading investors worldwide release Global Framework for Climate Risk Disclosure

In January 2007, the World Economic Forum announced the formation of the Climate Disclosure Standards Board (CDSB). This new international partnership aims to establish a generally accepted framework for company reporting on the risks related to climate change. The seven founding members are the California Climate Action Registry, Carbon Disclosure Project, Ceres, The Climate Group, International Emissions Trading Association, World Economic Forum Global Greenhouse Gas Register, and World Resources Institute.

The climate disclosure framework is a response to growing concerns about the risks and opportunities from climate change. These could be from new regulations, physical impacts or a growing global demand for climate-friendly products. Member organisations have agreed to standardise their requests for reporting. This is to ensure that companies report information in a common format, allowing easier comparison by investors, fund managers and the public. Members also plan to distribute the framework to securities regulators, investors, and leading companies that have failed to respond to previous investor requests for information.

The focus will be on the reporting of the following climate-change issues in company annual reports:

- total emissions;
- assessment of the physical risks of climate change;
- assessment of the regulatory risks of climate change;
- strategic analysis of climate risk and emissions' management.

The Aldersgate Group

The Aldersgate group¹² is a broad coalition of environment agencies, NGOs, think-tanks and industry representatives. In a recent report, *Carbon Costs*, the group called for a standardised approach to carbon reporting by British companies. Their report finds that very few FTSE 350 companies have credible reporting mechanisms in place, and that it is impossible to compare the disclosures of those that do because the companies use different methods for calculating emissions. The report argues that the lack of a clear definition and protocols for reporting is impeding progress towards the UK Government's goals of reducing emissions and creating a low-carbon economy.

The launch of the report marked the start of a new campaign by the Aldersgate Group. They have begun to build a coalition of supporting organisations, which currently includes ACCA Global and Christian Aid.

For information on forthcoming international environmental regulation please refer to Table 2 in the appendices.

Assessing what is reported

Overall disclosure in the FTSE All-Share

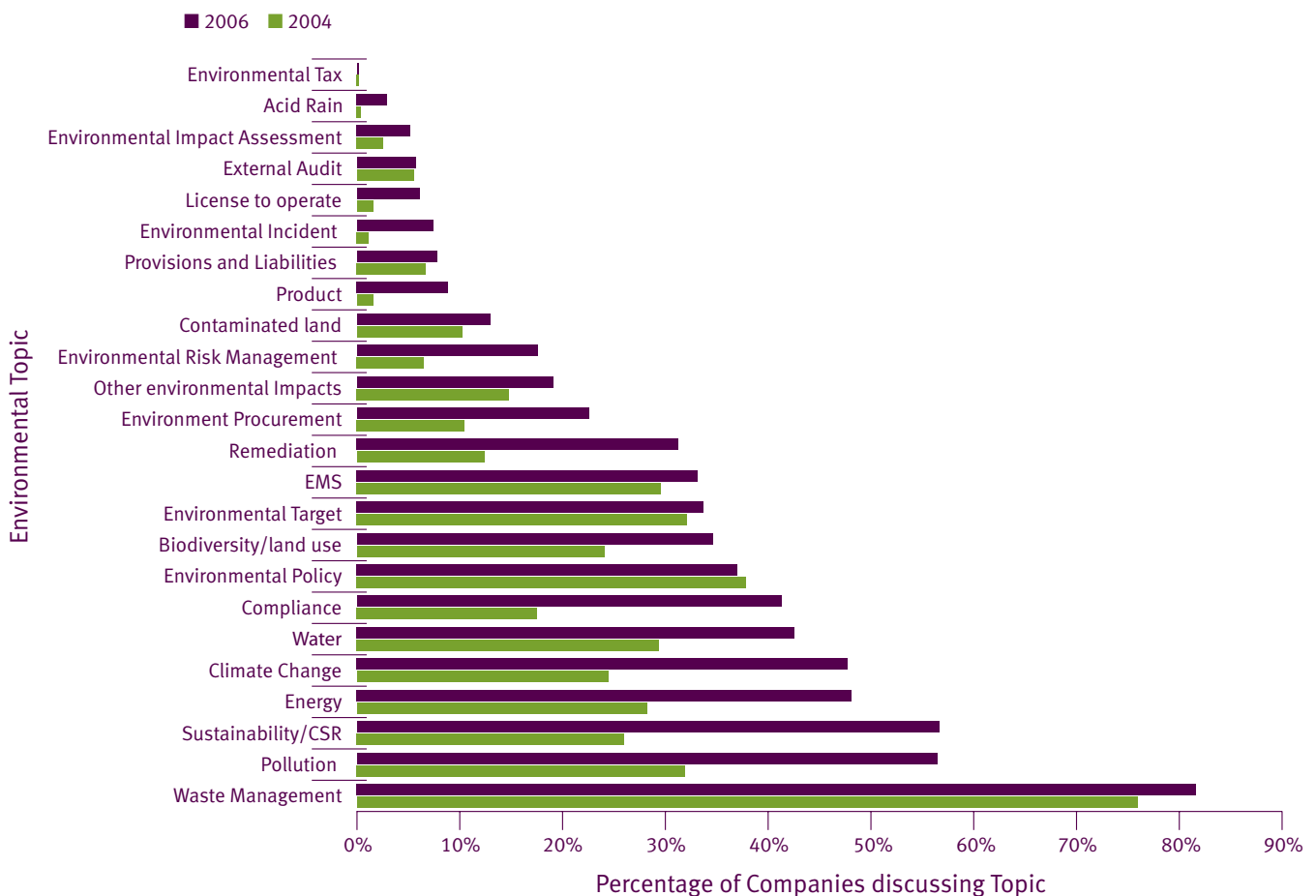
This section looks at the overall trends and the main subjects on which the surveyed companies made disclosures. We examine what has changed since our 2004 report. Using case studies, we look in particular at waste, water, climate change (and energy use) and the EU Emissions Trading Scheme.

The sections in which companies made environmental disclosures in their annual reports and accounts have been identified. Business Reviews and OFRs have been studied in more detail.

Finally, we look at the limited growth in quantitative reporting and consider its quality. We ask whether the size of a company is a factor in the inclusion of such information – in particular we examine disclosures in the FTSE-350.

Overall, 98% of companies in the FTSE All-Share report on some aspect of their interaction with the environment, compared with 89% in 2004. This increase is largely due to a significant increase in reporting by FTSE Small Cap companies: their disclosures increased from 80% in 2004 to 97% in 2006.

Figure 2 Overall % of Keyword Topics Discussed



What do most companies report on, environmental policy or performance?

In 2004 Environmental Policy was the number one topic disclosed in annual reports and accounts. If our study had included disclosures on Sustainability/ Corporate Social Responsibility (CSR) and Environment Management Systems (EMS) within the category of Environment Policy, this would have remained the top topic. However, in this study, only an exact word match is counted. Environmental Policy has therefore slipped down the rankings to eighth place and has seen no increase since 2004.

In general, most environmental topics are discussed roughly twice as often. Eighty two per cent of companies now report on waste management (76% in 2004). This is the most commonly discussed topic. Reporting on climate change is increasingly common, up from 24% in 2004 to 48% in 2006. Disclosures on remediation have also increased dramatically, largely due to the adoption of International Financial Reporting Standards in 2005 and their provisions for ‘decommissioning, restoration and environmental rehabilitation funds’ under IFRIC 5¹³.

The principle quantified impacts were the same as in 2004: waste, energy including climate change, and water. The compliance category now includes the EU Emissions Trading Scheme (ETS). This started in 2005 and is partly responsible for the increase in reporting on this subject (from 18% in 2004 to 42% in 2006).

Overall, more companies are reporting environmental impacts. There has been an increase in quantitative disclosure, from 27% in 2004 to 42% in 2006. However, the data is often reported in a way that does not allow for comparisons between companies. As a consequence, investors and other stakeholders will find this information of limited use.

The example below comes from the CSR section of Bellway Plc’s annual report and accounts. Bellway discloses some useful quantitative data, including figures on the three main environmental KPIs for carbon dioxide emissions, water and waste.

However, it fails to disclose emissions of sulphur dioxide and oxides of nitrogen (the precursors of acid rain and smog). The fourth Defra KPI for the construction sector requires the disclosure of these levels. The carbon dioxide figures reported are

normalised by floor space and may be comparable to other similar companies. However, no total carbon dioxide figure is given. This is contrary to UK Government guidelines. To follow best practice, the report would need to give:

- a total figure for the carbon dioxide emissions that Bellway is directly responsible for;
- a separate figure for the carbon dioxide that it indirectly produces through travel, transportation and other aspects of its supply chain.

The figures for waste refer only to plasterboard recycled and do not include figures on other types of waste, or where that waste is disposed of – ie through landfill, incineration or recycling. There is some inconsistency in the way the figures are presented, with water figures ‘per home built’ and carbon dioxide ‘per area of floor space’.

Bellway’s environmental reporting is better than many companies, with strong quantitative information for most of its KPIs. However to meet the UK Government guidelines, Bellway should provide total figures. It should also normalise figures consistently, covering both its direct impacts and those from its supply chain. Such reporting would allow investors to make comparisons with other companies in this industry sector. It is interesting to note that on two occasions Bellway and its subsidiaries were successfully prosecuted by the Environment Agency in 2006.

Extract: Bellway Plc 2006

Key Performance Indicators	2004	2005	2006
Percentage of homes developed on brownfield sites	75	78	81
Density of build per hectare (no. of homes)	56	69	69
Number of EcoHomes with ‘Very Good’ rating	168	224	263
Average SAP rating for all Bellway homes	95.6	90	90
CO ₂ Emissions (tonnes for 100m ² of floor space)	2.22	2.20	1.60
Tonnes of plasterboard recycled	1,287	2,408	4,708
Water consumption (m ³ per home built)	10.85	10.81	10.74

(Source: Page 20, Environmental Policy Statement, Bellway Plc)

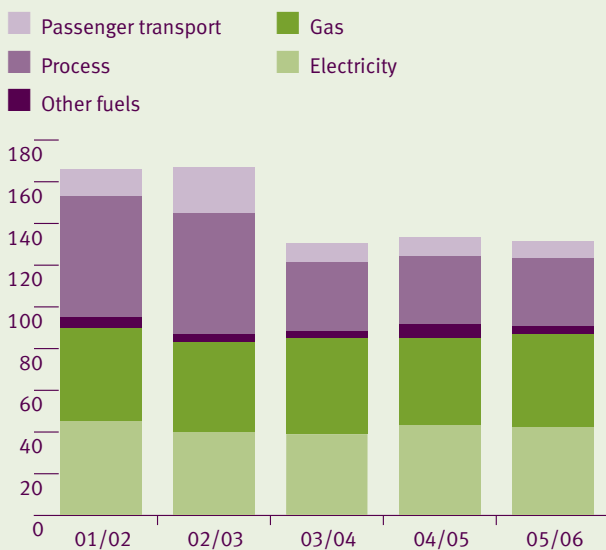
Although the number of companies that report in accordance with Government guidelines is low, there are some examples of best-practice reporting. The example below comes from the Business Review section of De La Rue Plc's annual report and accounts. De La Rue provides a good description of its emissions and their sources, covering all three core environmental KPIs over a number of years.

The company goes further and reports on volatile organic compounds, liquid pollutants and energy use. The reporting could be improved by providing figures as well as graphs, but overall it is an exemplary piece of reporting.

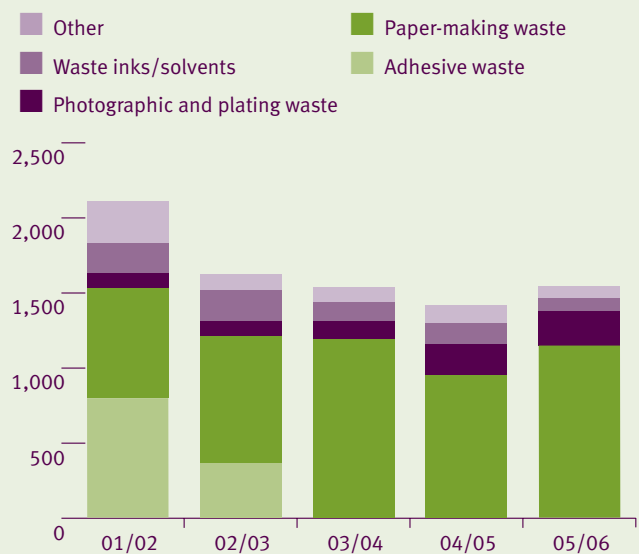
Unfortunately, there are 11 companies which do not make any reference to the environment in their annual reports and accounts.

Extract: De La Rue Plc 2006

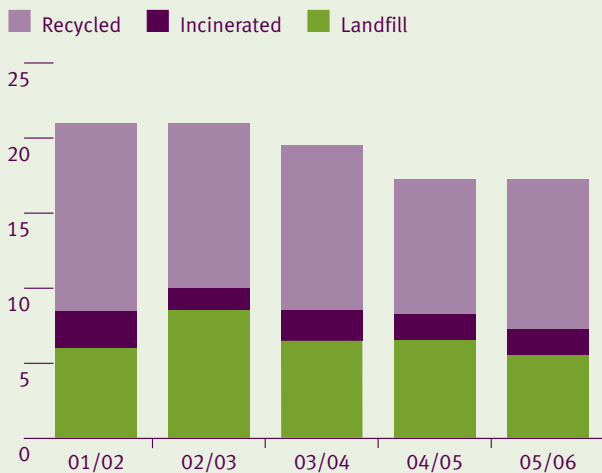
Greenhouse gas emissions ('000 tonnes as CO₂)



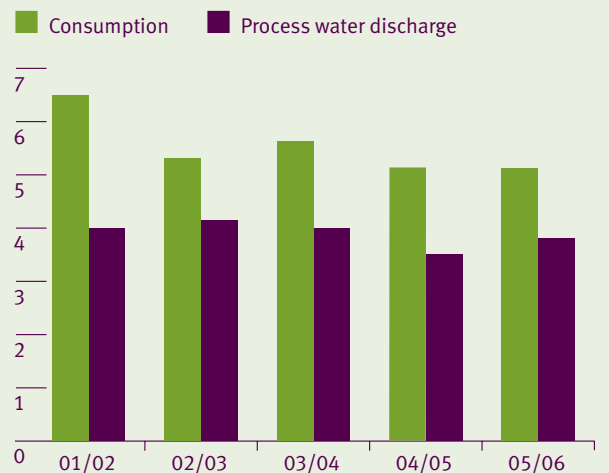
Liquid waste (m³)



Solid waste ('000 tonnes)



Water consumption by volume (million m³)



Extract: Cable & Wireless Plc 2006

Although the Board or its subcommittees consider environmental issues and identify and monitor environmental risks and opportunities, the Directors do not consider that such matters are significant to an understanding of the Group's performance for the year or position at year end and hence the Annual report focuses on the more significant operational issues.

(Source: Page 45, Director's Report, Cable & Wireless Plc)

Above is an example from Cable & Wireless Plc's annual report and accounts. The directors state that they do not consider any environmental matter to be significant to an understanding of the group's performance for the year, and so no mention is made of waste or any other environmental matter.

It is interesting to note that the 2005 annual report and accounts for Cable & Wireless included a considerable amount of environmental reporting. The extract below shows Cable & Wireless reporting that the environment is embedded in the company Code of Business Principles. It gives targets for the reduction of pollutants, energy efficiency targets and detailed figures on emissions of carbon dioxide and other gases. It also mentions a pollution incident involving an oil spill at one of its technical sites.

It is unclear why Cable & Wireless moved from a good level of environmental reporting in its 2005 annual report and accounts to its current position. Unfortunately, environmental data is not available on the company website, so investors are unable to see how the company has performed against the targets set in its 2005 annual report and accounts. In the last year Cable & Wireless was successfully prosecuted by the Environment Agency for a pollution incident.

Extract: Cable & Wireless Plc 2005

Cable & Wireless is committed to effective management of social, ethical and environmental matters. The Board manages and monitors corporate responsibility through the Corporate Responsibility Steering Group, chaired by the Executive Deputy Chairman, Lord Robertson of Port Ellen.

Business Principles

The Cable & Wireless Board Code of Business Principles, (December 2004) provides standards and guidelines for business conduct across the Group. It commits the business to ethical conduct and includes clear guidance on:

- Corporate governance;
- Community investment;
- Employee relations and development;
- Human rights;
- Management of the Group's environmental impact;
- Occupational health & safety; and
- Supplier, customer and other stakeholder relations.

Occupational health, safety and environment

Cable & Wireless has a comprehensive occupational health, safety and environmental programme to minimise the risks detailed below.

OHSE process is the responsibility of the Group's Corporate Responsibility Steering group chaired by the Executive Deputy Chairman, Lord Robertson.

The integrated OHSE Management System sets common Group standards, based on international standards (OHSAS 18001 and ISO 14001). These are supported by detailed local policies and procedures to ensure compliance with local legal requirements. The Group's continual risk assessment procedures identify and manage potential hazards appropriately.

Performance targets

Cable & Wireless has identified key OHSE risks. In 2004 the Group set OHSE objectives in each of these areas:

- Zero occupational health, safety, fire or environment prosecutions or notices from enforcing authorities;
- Zero fatal injuries to employees, customers, partners or contractors;
- Major injuries and lost time accidents to be reduced by 20 per cent before 2010 (against the 2003 baseline);
- At least 25 per cent of National Businesses to attain ISO 14001 Environmental Management Standard certification by the end of 2008;

Extract: Cable & Wireless Plc 2005 (cont.)

- Reduce energy consumption by 5 per cent during 2005 based on the 2003 baseline consumption;
- Increase the procurement of renewable energy to 25 per cent by 2010 (from 2004);
- Develop and report progress on plans to remove all HCFCs Group-wide by the end of 2010;
- Assess suppliers of defined goods and services to ensure their ability to manage OHSE risks; and
- Complete and report OHSE internal audits of all substantial national businesses.

Performance Data

OHSE performance is measured via an annual data collection exercise. In 2005, Cable & Wireless recognised that, due to significant change in the business, a new approach to data collection was

required. Accordingly, we limited data collection to four main areas of the business: UK, Caribbean, Panama and Macau. Thirteen of our businesses submitted data, equivalent to 79 per cent of the total business by turnover and 75 per cent of the total business by number of employees.

This change in the data collection brings improved efficiency but means figures are not directly comparable with previous year's results.

Further information can be found in the Cable & Wireless Occupational Health and Safety Report (OHSE) 2005, which will be available on the Company's website in July 2005.

Performance against targets during 2005 is summarised as follows:

	Target	2005 Actual ^{1a}	2004 Actual ^{1b}	On target
Occupational Health and Safety				
Prosecutions	0	0	0	Yes
Enforcement notices	0	1 ²	0	No
Fatal injury accidents (Cable & Wireless employees)	0	0 ^{3a}	0 ^{3b}	Yes
Lost time incident rate (per 10,000 employees) ⁴	Reduce by 20% by end 2010 over 2003 baseline	67.6 ⁵	88.4	Yes
Environmental management				
Per cent of businesses by turnover with ISO14001	25% of businesses with certification by end 2008	12.4%	8.3%	Yes
Energy and transport				
CO ₂ per unit turnover (tonnes CO/£1million turnover)	Reduce by 5% in 2004/05 against 2003 baseline	74.9	59.0	No
Per cent of electricity from renewable energy	Increase use to 25% by 2010	14.3%	-	Yes
HCFCs stored (kg)	Remove all by 2010	13,535	31,500	Yes
CFCs stored (kg)	Remove all by 2010	4,122	5,900	Yes
Halons stored (kg)	Remove all by 2010	27,544	52,400	Yes
Supplier and business unit assessment				
Per cent of suppliers of defined goods audited	Assess 100% of suppliers of defined goods	100%	10.8%	Yes
Per cent of businesses by turnover conducting OHSE internal audits	Audit 100% of substantial businesses	94.5%	-	Yes

Notes:

1a All normalised data is normalised against or shown as a per cent of the turnover of businesses participating in the data collection exercise.

1b All normalised data is normalised against the turnover of the total Group businesses.

2 Cable & Wireless UK was served with one improvement notice in October 2004 (see 'Significant OHSE Incidents').

3a There were no fatalities in Cable and Wireless businesses during the 2005 financial year. One incident was reported in which a contractor died as a result of a fall while working at one of Cable & Wireless' sites in St Lucia. A full investigation following the accident demonstrated that Cable & Wireless bore no responsibility.

3b There were no fatalities in Cable & Wireless businesses during the 2004 financial year. Although an incident was reported in which two contractor employees died in a mud slide on a road, the full investigation showed that the employees were not engaged in work on behalf of Cable & Wireless, though the contractor had undertaken work for us in the past.

4 A lost time incident (LTI) is defined as any incident which results in an employee being absent for one day or more due to incapacity or ill health arising out of the incident and occurring within 24 hours of the incident. The lost time incident rate is defined as the number for LTIs in the past 12 months divided by the working population, expressed as a rate per 10,000 employees.

5 This lost time incident rate is comparable with other telecom industry performance.

(Source: Page 26-29, Corporate and social responsibility, Cable & Wireless Plc)

Waste management

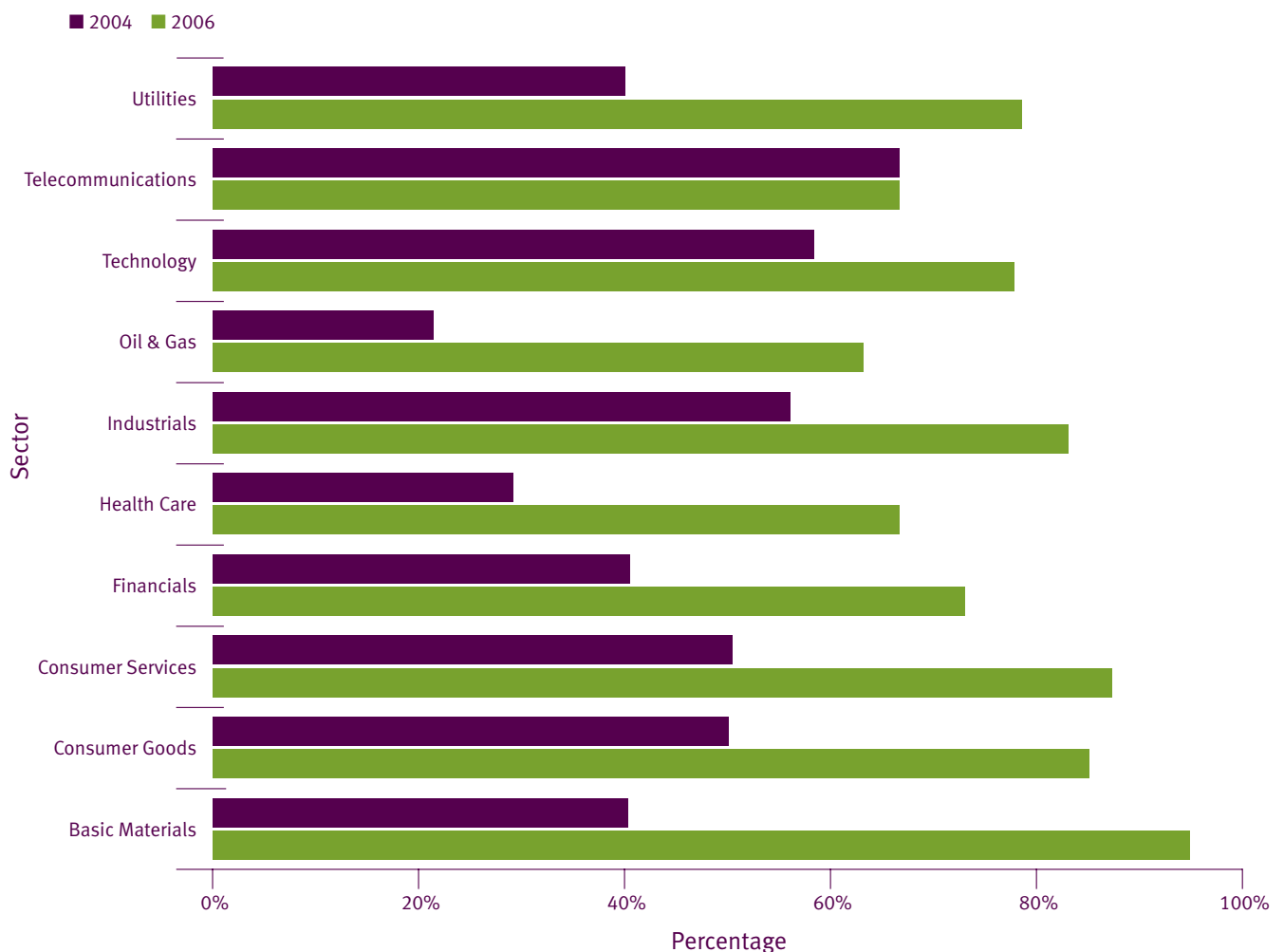
Every company generates waste of some sort. As well as having an impact on the environment, this waste is in essence a measure of resource productivity. In general, the less waste generated per unit of output the more efficient the companies' production processes are.

The Landfill Tax and Producer Responsibility Obligations (Packaging Waste) provide regulatory and fiscal incentives for companies to reduce waste. In January 2007, the Waste Electrical and Electronic Equipment Regulations (WEEE) came into force in the UK. These regulations made manufacturers responsible for the collection and recycling of waste electrical goods. More companies disclosed information on waste management than any other issue. Eighty two per cent of the companies we looked at discussed waste, but of these only 27% provided any sort of quantitative disclosure.

Since the 2004 report, many new companies have joined the FTSE All-Share. In particular, the index has seen a large influx of overseas companies from countries such as Russia, China and Kazakhstan. A number of offshore online betting firms have also joined. A concern for investors is whether such companies are measuring and reporting their environmental KPIs to the same standard as their British counterparts.

We identified two high-profile overseas listings on the FTSE All-Share: Vedanta Resources and Kazakhmys. Below we look at how these companies discussed waste in their annual report and accounts.

Figure 3 % of Waste Disclosed by Sector



Vedanta Resources

Vedanta Resources has a particularly detailed report on sustainable development within its annual report and accounts. It describes waste management initiatives and gives some figures on the disposal of waste from its copper operations. It says that data is collected on all waste generated by the company

and on how that waste is disposed of. However, Vedanta Resources chooses not to report these figures. To meet UK Government guidelines, the company should publish figures on the total amount of waste it produces, and disclose where that waste is finally disposed of. One hundred and forty four companies (27%) disclosed figures on waste, but of those only 31% gave figures that met UK Government guidelines.

Extract: Vedanta Resources Plc 2006

Waste Management

Our aim is to exceed regulatory compliance requirements for the reduction of waste generation both at source, during operations and in disposal. Consequently, the Group focuses on the proper identification, characterisation, quantification, segregation, storage and disposal of all solid wastes. Data on waste from all its operations is classified as hazardous or non-hazardous and also as disposable, recyclable or landfill waste, as specified by the applicable regulations.

Overburden and waste rock from mines is systematically stacked in earmarked areas while tailings are disposed of in tailing dams. All fly ash generated in our Indian operations is used productively in the local cement industry.

The following specific waste management initiatives have been undertaken in our operations:

Aluminium

- A pioneering initiative taken by MALCO for red mud disposal has been welcomed by the pollution control authorities and is becoming recognised as a benchmark in the industry with other aluminium manufacturers being advised to adopt this practice.
- BALCO is moving towards the dry disposal of red mud, while currently red mud is disposed of in earmarked ponds.
- Our aluminium operations have been able to achieve 66% uptake of red mud by the cement industries after reducing the caustic soda content.
- MALCO has commenced the disposal after treatment of spent pot lining for use as fuel.
- BALCO also sells its spent pot lining for use as fuel in cement industry.
- BALCO has also developed a process for recovery of fluoride salts from tunnel dust, ESP dust and carbon muck from the smelter.

- Efforts are being made to achieve 15% increase in the production of vanadium sludge, which is a by-product in the alumina refinery and for production of ferro vanadium at BALCO.
- Construction of secured landfill for the safe disposal of hazardous waste at BALCO has commenced at a cost of INR 4.5 Million.

Zinc

- Jarosite from hydrometallurgical zinc smelters is disposed of in secured and lined containments at the Chanderiya smelter. The technology adopted involves the stabilisation of jarosite with lime and Portland cement to produce a hard, compact and inert mass known as jarofix. The total capital expenditure for this exercise was INR 122 million. This is the second such facility for jarosite disposal in the world.
- A moore cake treatment plant has been installed at the Debari smelter, at a cost of INR 120 million, for recovery of zinc from moore cake and the reduction in hazardous waste load.
- At the Debari smelter, anode mud is being recycled in the leaching and cadmium plant to reduce the fresh MnO₂ consumption.
- The TGT plant being installed at Debari will use zinc oxide in place of hydrated lime. The end product produced in the TGT plant will be recycled (in the process eliminating the generation of calcium sulphite and sulphate sludge, as would have been the case if a lime scrubber had been used) thereby this will result in lower hazardous waste generation.
- Waste rock at the Zawar and Rajpura Dariba mines is being used for the tailing dam embankment. Similarly, the Rampura Agucha mine has started using waste rock in road construction.

Extract: Vedanta Resources Plc (cont.)

Copper

- The use or disposal of slag, gypsum and vanadium constitute the largest waste related concerns for copper producers. At Tuticorin, a secure landfill was constructed this year in an attempt to improve hazardous waste management.
- Copper slag is being used in road construction and abrasives. A CRRRI study has also initiated a study for usage of slag on roads and embankments. The use of this slag with

cement is also being explored. The NCCBM has completed a study for use of slag with cement and has recommended its use at the level of 3% at raw material stage and 33% in clinker stage.

- The highest ever sale of gypsum, 70,000mt, was achieved in March 2006 in comparison to the previous year's average of monthly 40,000mt.

Research studies are being undertaken to reduce the hazardous characteristics of waste and to ensure the re-use of waste materials.

(Source: Page 33, Sustainable Development Report, Vedanta Resources Plc)

In contrast, Kazakhmys does report a total figure for waste and discloses waste reduction for the last year. Furthermore, Kazakhmys reports on its total carbon dioxide emissions, energy use and water usage. Improvements could be made by reporting the types of waste produced and their final disposal destination.

It could also breakdown the sources of carbon dioxide into direct impacts and those associated with the supply chain. Finally, the data is presented as part of a narrative rather than in a tabular format. This made it difficult to see at first glance that Kazakhmys had achieved a good level of reporting.

Extract: Kazakhmys Plc

Environment

Kazakhmys aims to carry out its activities in an environmentally friendly manner, focusing on the responsible use and management of water, energy and waste, minimising air pollution and appropriate land rehabilitation.

Performance targets are being incorporated into a Group environment policy being developed with assistance from external consultants for approval by the GHSE Committee and the Board in 2007. At the same time, a baseline environmental audit is scheduled to be carried out in 2007 with the objective of identifying and addressing material environmental issues across the Group.

Our environmental performance

The effective management of water is critical to the long-term viability of the Group's operations, a number of which are located in environmentally sensitive areas. The Group's water usage rose by around 3.5% to 181,512 megalitres in 2006 (2005: 175,300 megalitres) due to increased copper and zinc production at Group sites.

Notwithstanding this, the Group remains committed to the efficient use of water and is taking steps to ensure that this commitment is translated into specific actions to reuse and recycle water.

Air emissions produced by Group facilities are a key area of focus. The main emissions monitored are sulphur dioxide (SO₂), nitrogen oxides (NO_x), carbon dioxide (CO₂), arsenic, ash and dust. In 2006, SO₂ emissions from our metallurgical operations were 775,837 tonnes (2005: 853,384 tonnes). The reduction of SO₂ emissions is a key environmental target and the Group has been pursuing a number of initiatives to reduce such emissions, particularly in the Balkhash area. In 2002, it was decided to re-design the partially built SO₂ utilisation complex in Balkhash to include the installation of a sulphuric acid plant to recover SO₂ emissions. Work on the acid plant commenced in 2004 and is expected to be operational in 2007. The plant will have a capacity of 900,000 tonnes of sulphur dioxide per annum, an SO₂ recovery rate from incoming gases of over 98% and will create 1.25 million tonnes of sulphuric acid per annum, significantly reducing SO₂ emissions in the Balkhash Region. The ecological benefits of this project will be augmented by economic benefits for the Group provided by the sharp growth in demand for sulphuric acid in the region in recent years. The Group also plans to carry out an acid plant survey at the Zhezkazgan Complex.

Extract: Kazakhmys Plc (cont.)

Ecological monitoring in accordance with state nature protection legislation is agreed annually with the relevant state bodies.

The Group also pays special attention to the monitoring of CO₂ and greenhouse gas emissions, calculating CO₂, CH₄, N₂O, NO_x, CO, SF₆ and carbon fluoride compound emissions from fuel firing from operations, including electricity and heat production, fuel firing by vehicles and strip coal mining. In 2006, CO₂ equivalent emissions were 9.7 million tonnes.

Total energy used by Kazakhmys rose by 2% during the year to 24.7 million GJ, as a result of increases in production. Energy audits are undertaken and projects commissioned to promote the use of energy efficient practices. It is expected that over the next few years total energy consumption will increase due to the planned development of a number of new operations.

The Group appreciates the need to minimise the disturbance to land from its operations. Kazakhstan legislation requires rehabilitation of all decommissioned sites, which is reinforced within the subsoil use licences. To this end, the Group is

(Source: Page 50-51, Business Review, Kazakhmys Plc)

required to set aside a dedicated provision for this purpose. As at 31 December 2006, this provision amounted to \$28.4 million (2005: \$24.6 million).

The Group is focused on improving the quantification, collection and recycling of all solid wastes. In 2006, Group operations generated 102.5 million tonnes of waste, a reduction of over 20% compared to 2005. Waste from Group mining operations predominantly consists of waste rock extracted from underground mines and overburden stripped from open pits. In 2006, the Group increased waste rock backfilling in its underground mines and use of overburden from its open pits for the pit slope benches. Further opportunities to reuse and recycle a variety of wastes are currently being explored.

An environmental management system is in place in all locations and complies with local regulations. In 2007, it is intended that these will be upgraded to meet ISO 14001 standards. This process will be carried out in the same manner as the implementation of OHSAS 18001 specifications, using pilot sites and the subsequent roll-out across all Group operations with an operational life of more than five years.

Climate change and energy use

Taken together, climate change and energy use were the second most disclosed environmental issue in the FTSE All-Share. Sixty three per cent of companies discussed either climate change or energy use. One hundred and fifty six companies (29%) provided some sort of quantitative disclosure. Climate change is considered to be the biggest single environmental impact of energy use.

As would be expected, energy intensive industries are more likely to disclose information on energy and climate change.

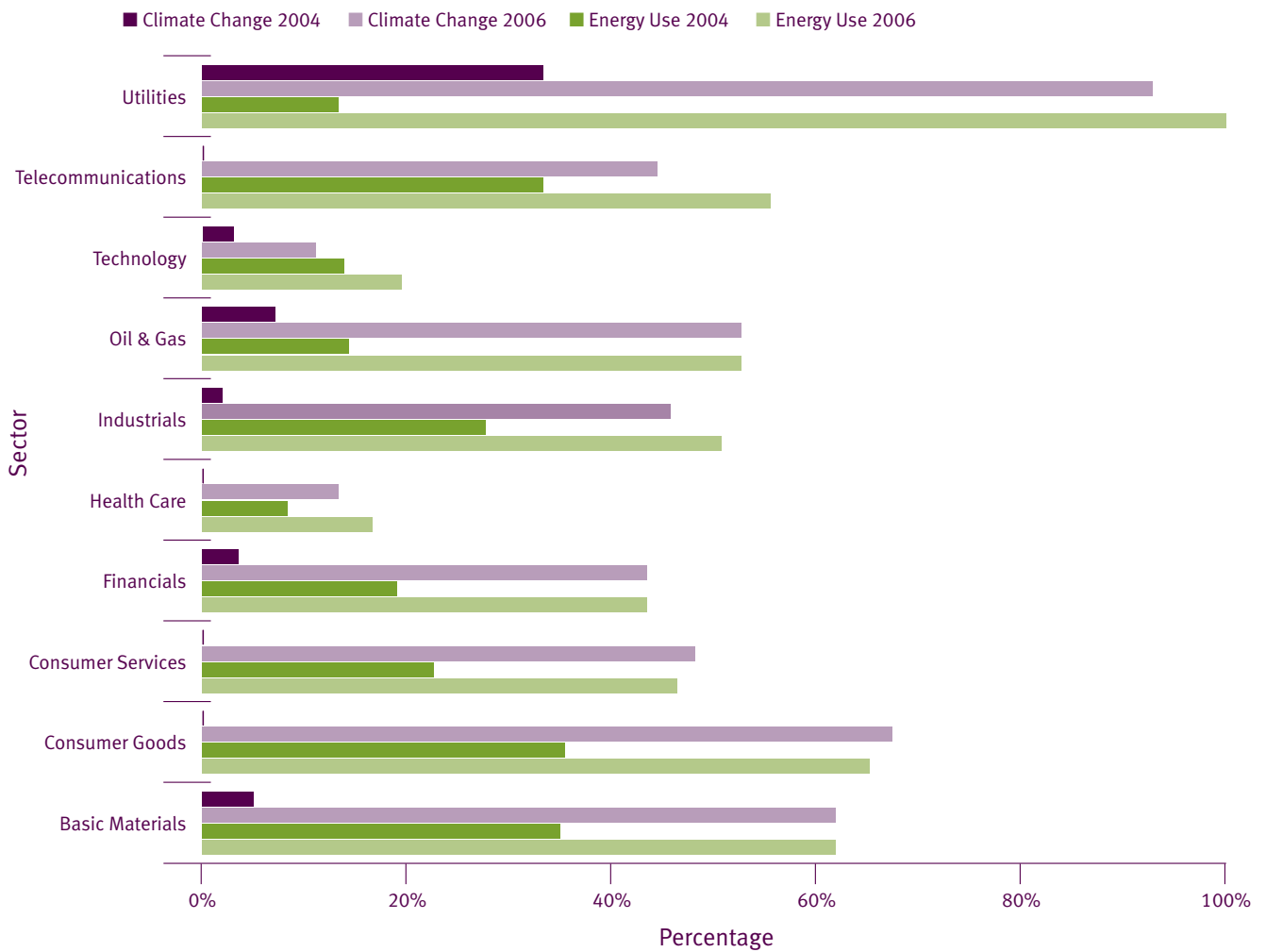
Emissions trading schemes, such as the EU Emissions Trading Scheme (EU ETS), are one of the main instruments being introduced to tackle emissions of carbon dioxide and other greenhouse gases. The aim is to combat the serious threat of climate change. Currently the main scheme is the EU ETS. Other parts of the world are likely to have similar carbon trading schemes in the future, for example the forthcoming UK Carbon Reduction Commitment (CRC) announced in the Energy White Paper 2007

will apply mandatory emissions trading to large commercial and public sector organisations. Emissions trading schemes commit the companies involved to buying allowances on the open market if they need to emit carbon dioxide over a given level. It is important, therefore, for investors to be fully aware of the level of carbon that a company emits and what its potential liability might be under an emissions trading scheme.

In the examples that follow we look how three different companies considered climate change and energy use in their annual report and accounts. These companies are Drax, Scottish & Southern and International Power.

Drax discloses its carbon emissions in the CSR review section of its annual report and accounts, a separate section to its Business Review. The company reports carbon dioxide emissions normalised by kWh or electricity produced, as well as reporting emissions of sulphur dioxide and oxides of nitrogen. These are precursors of acid rain. This is generally in accordance with UK Government guidelines, but it would be helpful if the company provided absolute figures. This would remove the need for the interested investor to look elsewhere in the report for electricity production figures. Drax does not report figures on water usage and waste.

Figure 4 % Climate Change and Energy Use Disclosed by Sector



Extract: Drax Group Plc 2006

Emissions to air summary

Carbon dioxide per unit of electricity generated
kg/kWh



Notes:

(1) EU ETS verified emissions taking account of the carbon free status of biomass.

Environmental Compliance

We operate within the conditions of our Integrated Pollution Control (“IPC”) authorisation, granted by the Environment Agency, and we aim to maintain compliance with no significant breaches of the regulatory limits. We recognise that emissions limits will become tighter in the future and our goal is to be ahead of legal requirements whilst recognising the need to uphold our competitive market position.

We maintain an up-to-date understanding of the science underlying our impacts in order to contribute to the development of cost-effective control measures.

Extract: Drax Group Plc (cont.)

Sulphur dioxide per unit of electricity generated
g/kWh



Over the last few years, UK industry has been moving towards Integrated Pollution Prevention and Control (“IPPC”) regulation, which expands the IPC and Waste Management legislation to cover, not just the discharges from site, but, site issues such as contamination, wastes, energy efficiency, risks, accidents and management systems. In 2004, we applied for a Pollution Prevention and Control (“PPC”) permit to replace the Waste Management licence for the Barlow Mound ash disposal site. In 2006, we applied for a PPC permit for the main power station site to replace IPC authorisation. It is anticipated that both of these licences will be determined in 2007.

Emissions to Air

The principal emissions from burning coal are CO₂, sulphur dioxide (“SO₂”), oxides of nitrogen (“NO_x”), hydrogen chloride (“HCl”), and particulates (“dust”). Our generating units have all been retrofitted with Flue Gas Desulphurisation (“FGD”) equipment which removes, on average, at least 90% of SO₂ and HCl emissions before the flue gas is released via the chimney into the atmosphere.

(Source: Page 31, Corporate Social Responsibility Review, Drax Plc)

Oxides of nitrogen per unit of electricity generated
g/kWh



We maintain investment in our emissions abatement equipment and consider this to be a high priority. Our FGD plant already complies with known future SO₂ emissions limits to 2016 and we have initiated a programme of retrofitting all units with low NO_x technology – Boosted Over Fire Air systems- in order to ensure compliance with the NO_x requirements of the Large Combustion Plant Directive (“LCPD”) from 2008. Currently three units out of our six have been retrofitted with work underway to complete the remaining three by mid-2008.

Discharges to Water

Procedures are in place to ensure that all discharges and drainage to water are monitored and treated where necessary to meet our discharge consent limits. There are a number of sources of discharge and drainage as part of the electricity generation process, including the cooling water used to cool the condensers, which as part of the steam cycle condense steam to water after it leaves the turbines and before returning to the boilers. Cooling water is abstracted mainly from the River Ouse and boiler feedwater originates from two boreholes on site. Approximately half of the water is returned to the River Ouse at a few degrees warmer than the river water.

International Power reports carbon dioxide emissions in the same way as Drax – normalised by kWh. The total emissions of carbon dioxide can be derived from the electricity production figures elsewhere in the report, but this only gives a figure for the company’s power generating activities. International Power also emits carbon dioxide from other activities, including

heat and water production. The emissions associated with these activities are not included in the figures reported. An investor would not necessarily be able to assess International Power’s true exposure if all of its activities were to come under an emission trading scheme. This is a situation which the company has said that it is likely to face.

Extract: International Power Plc 2006

Environment

We strive for excellence in environmental performance through legal compliance, certified management systems, stakeholder engagement and the efficient use of natural resources.

As a global power generation company we recognise the importance of developing and implementing a low carbon strategy over both the medium and long-term, and we are taking active steps to address this issue. We have a broad portfolio of assets with a small but growing percentage of renewable generation. We use state-of-the-art, proven environmental technology at our new assets and, where possible are upgrading the older assets. We believe that our performance demonstrates our committed approach with reductions in our net CO₂/kWh over the last two years, from 0.889 kg of CO₂/kWh in 2004, to 0.715 kg of CO₂/kWh in 2006. We use net reporting for CO₂, which reflects our ownership interest in an asset. As of today, due to the different regulatory regimes that exist in the markets in which we operate, the level of carbon emissions has limited impact on our business. However, we believe this will change in the near future, and we are taking steps to address our carbon emission levels whilst still remaining commercially competitive.

Most governments in developed countries have introduced legislation to incentivise increased supply from renewable sources of generation. Growth in renewable generation is likely to impact production forecasts for our fossil fuelled plants. We have dedicated resources within our operations and engineering teams to review technology trends and advances, to ensure we are best positioned to participate over the short, medium and long-term in our drive towards a lower carbon environment- not only in the UK, but very importantly, also internationally. For example, we are also investigating means of reducing CO₂ emissions from brown coal generation at our Hazelwood plant in Victoria, working with both federal and state governments, and with selected

technology specialists. This is a medium to long-term project, and we are pleased to be at the forefront of addressing such an important issue for the Australian power generation business.

With respect to environmental compliance, plant operating and monitoring procedures are effective in ensuring that our plants comply with the conditions of their licenses and consents. Whilst we have experienced occasional breaches of our environmental operating limits, there have been no recent incidents that have posed a significant threat to the environment or to our ability to run our plants. Compliance with environmental limits is reported as one of our KPIs.

Full details of environmental performance are set out on our website www.ipplc.com/ipr/environment/env/endata/

Health and Safety

We are committed to the best possible health and safety performance through management commitment, legislative compliance, certified management systems and continuing stakeholder engagement.

One of our core values is to instil safe behaviour in everything we do. We therefore decided to ask DuPont, an acknowledged world authority in this field, to carry out a safety review at a selection of our assets around the globe (Paiton in Indonesia, Hays in Texas, Rugeley in the UK, Pego in Portugal and Ras Laffan in Qatar) to ensure that our commitment to excellent health and safety standards, across our portfolio, is checked and challenged, and that best practice is shared by all our plants. In addition DuPont reviewed the corporate headquarters and the 'tone at the top' and the management link between the corporate centre and the assets. The lessons learnt from the review will be shared across our business once the review is complete. Health and safety is of vital importance in our business and therefore AFR is one of the non-financial KPIs that we used to manage our business.

(Source: Page 58, Corporate Responsibility, International Power Plc)

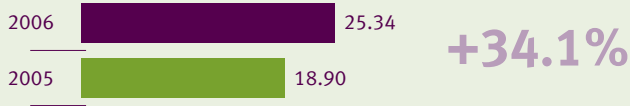
In contrast, Scottish and Southern reports carbon dioxide emissions from both its power generation and other activities. The company reports figures for waste, water and acid rain precursors. It also gives historical comparisons. The annual report and

accounts are fully in accordance with UK Government guidelines and Scottish and Southern provide investors with sufficient information to compare the company with its peers.

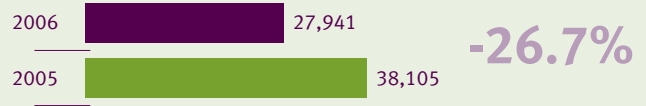
Extract: Scottish and Southern Energy Plc 2006

Environment

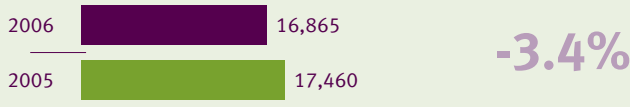
CO₂ from SSE's power stations – mte



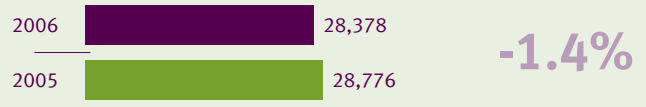
Oil leaked – litres



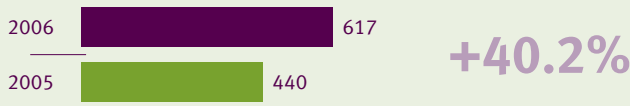
Non-power station CO₂ emissions – mte



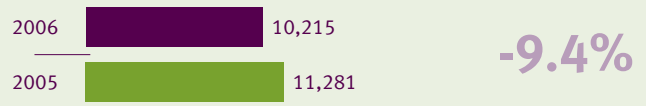
Waste produced – tonnes



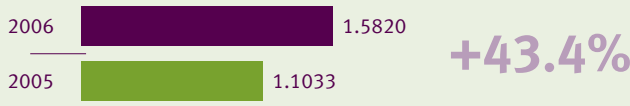
CO₂ from electricity supplied – kg/KWh



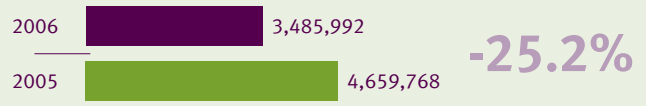
Waste sent to landfill – tonnes



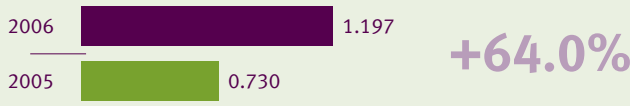
SO₂ from electricity supplied – g/KWh



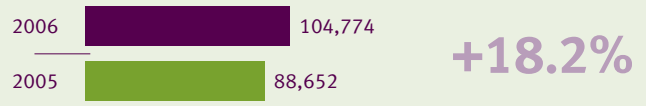
Water consumption at power stations – cubic metres



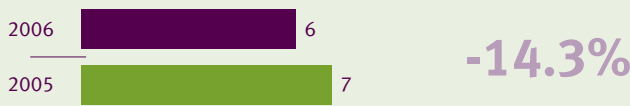
NOx of electricity supplied – g/KWh



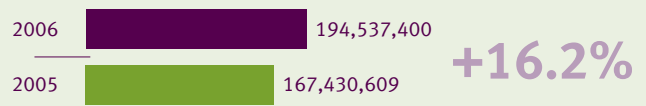
Non-power station water consumption – cubic metres



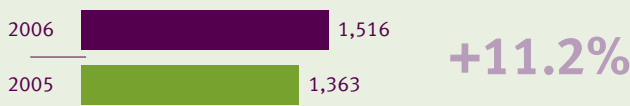
Breaches of IPC/PPC



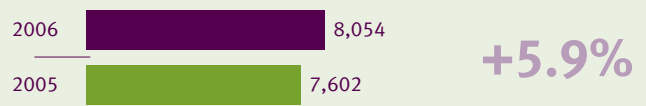
Travel on SSE business – km



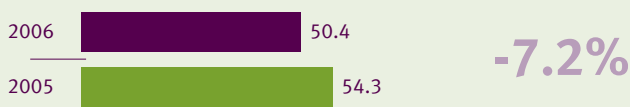
Renewable energy generation capacity – MW



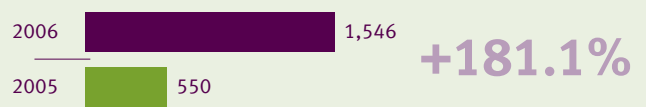
Business flights



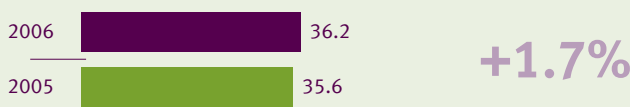
Thermal efficiency of gas-fired power stations – %



Business rail journeys



Thermal efficiency of coal-fired power stations – %



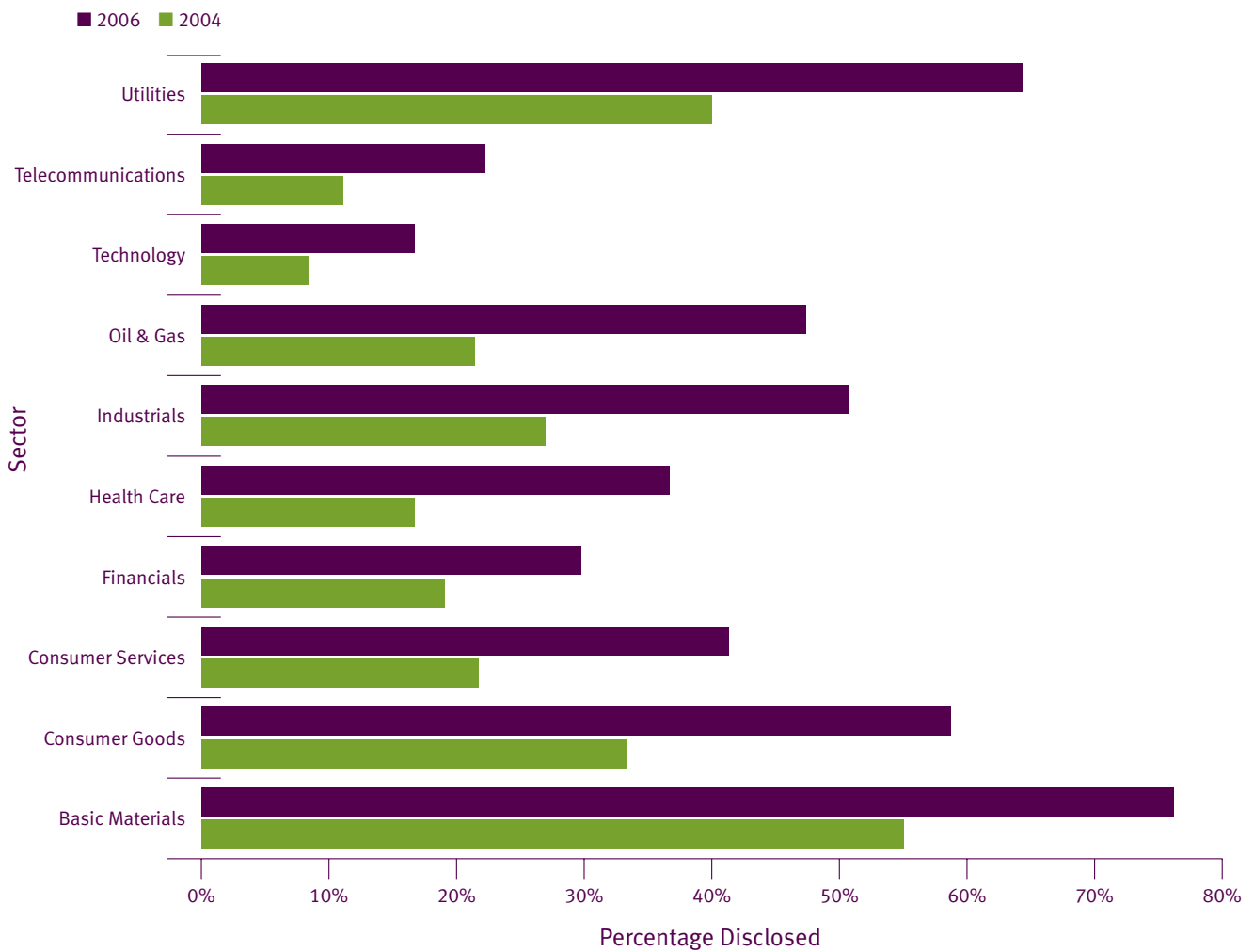
(Source: Page 26, Directors' Statement, Scottish and Southern Energy Plc)

Water usage and abstraction

Most businesses can significantly reduce water consumption in their daily operations, whether that water is supplied to them from a water company or is directly abstracted from water sources. Current UK Government guidelines make water one of the core

environmental key performance indicators which companies should disclose. Water was the sixth most common environmental disclosure in the FTSE All-Share: 43% of companies mentioned water in their annual reports and accounts (29% in 2004). Twelve percent of companies provided figures on water use but only 22 companies (4%) provided water figures that met with UK Government guidelines.

Figure 5 % Water Disclosed by Sector



The number of companies reporting on water has risen since 2004. However some reporting is overly complex and difficult for the investor to understand. In our 2004 report, Slough Estates' 2002 annual report and accounts were highlighted as a good example of clear reporting that met UK Government

guidelines. As can be seen below, the company reported on water, energy use and waste, with the information broken down by geography and business sector. Slough Estates made direct reference to the UK Government guidelines and gave conversion factors for calculating emissions from fuel use.

Extract: Slough Estates Plc 2002

The most significant environmental impacts arising from property we occupy and manage are measured and monitored on an ongoing basis. The table below summarises environmental impacts for the period 1.10.01 to 30.09.02.

However, the data is not normalised for floor area or hours of operation (e.g. kWh/m²/hr) and therefore represents the company's absolute impacts only. Normalising of data will be introduced in 2003.

Property type	Total energy (KWh of electricity and gas)	Water (m ³)	Waste (tonnes)
Se occupied buildings	2,789,465	5,283	40
UK multi-let properties	1,796,945	3,045	N/A
UK retail centres	16,715,459	96,706	3,329
Europe	60,770	229	N/A
USA	1,907,581	1,253	N/A
Total	23,270,220	106,516	3,369

Using the conversion factors specified by the Government (www.Defra.gov.uk/environment/envrp/gas/05.htm), the operation of properties in our portfolio was responsible for the emission of 8,552 tonnes of carbon dioxide in 2002. When comparing those properties held in both

2001 and 2002, Sough Estates reduced it's aggregated energy consumption by 8 per cent and reduced it's aggregated water consumption by 2 per cent. Waste data was not collected for retail centres in 2001, so a comparison cannot be made.

(Source: Page 40, Environmental Performance Report, Slough Estates Plc)

Unfortunately, Slough Estates no longer reports on water use in its annual report. It is not made clear why this is the case. It reports on carbon dioxide emissions from its own office occupation, normalised by square metre of office space, but states that global carbon dioxide emissions can no longer be reported due to insufficient/unreliable data monitoring systems in Europe. Slough Estates is no longer reporting in accordance with UK Government guidelines. Its normalised carbon dioxide emission figures

do not cover its entire operations and the company fails to report any figures on waste and water. The company should be praised, however, for acknowledging its data collection issues and ensuring that it has not published inaccurate information to investors. We hope that in future Slough Estates will improve its data collection and be able to fully disclose information in accordance with UK government guidelines.

Extract: Slough Estates Plc 2006

Environmental

The Group take a considered and structured approach to managing our environmental aspects and impacts. Using our environmental management system to both ensure compliance and to go beyond legal requirements in areas such as energy use, waste management, use of natural resources, pollution prevention and biodiversity. We believe that good environmental management is integral to good management of the business.

We have a number of KPI's related to our activities and we set annual objectives throughout the Group to both manage and seek continual improvement in our environmental performance.

We recognise the responsibility we have for sustainable development and will seek ways to minimise damage to the local and global environment caused by our activities. Our three most significant environmental impacts are energy use, transport and land use. Climate change and the energy performance of our buildings are issues we have set as a priority to introduce policies and procedures for their long-term management. Managing these impacts for a positive result is good for the environment. Employees receive training on managing environmental impacts and changes in legislation. Regional management committees have been set up to meet regularly and discuss progress.

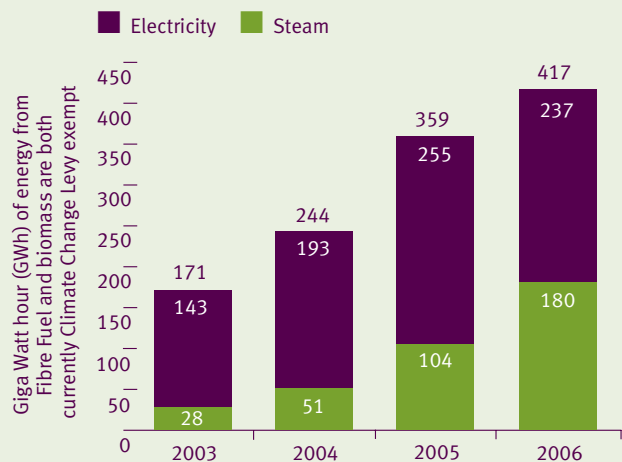
We understand our responsibility to future generations to pass on an environment that is capable of sustaining life, whilst providing employment and prosperity for our stakeholders now and in the future. Sustainability is an important part of our generic development brief. Both as developers and in partnership with our contractors and suppliers, we are working towards a whole-life, whole-building approach to sustainable practice.

We work closely with our customers to try to ensure that we can meet their environmental needs and requirements.

We participate in leading external surveys including the Dow Jones Sustainability Index, FTSE4Good and the Business in the Community Environmental Index. In 2006 we became a founding member of the UK Green Building Council.

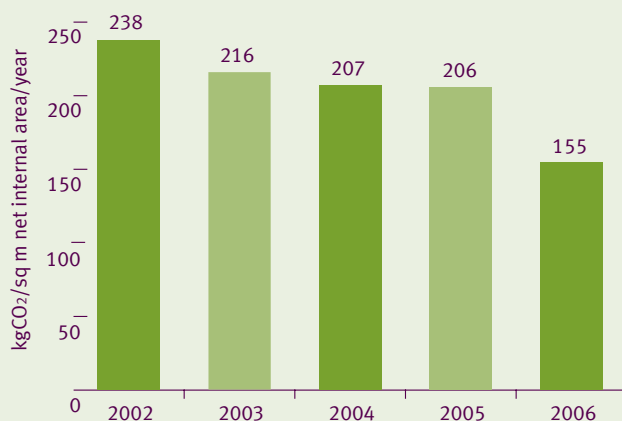
Some of the KPIs that we measure ourselves against are energy use, land use, pollution and emissions. More details are available in our separate Corporate Responsibility Report.

Renewable energy generation (SH&P)



CO₂ emissions of own office occupation

SEGRO's own office occupation



The graph above shows a drop in CO₂ emissions from 2005 to 2006, which is largely due to a reduction in employees at Head Office. Global CO₂ emissions are not available for this year due to insufficient/unreliable data monitoring systems in Europe.

(Source: Page 44, Operating and Financial Review, Slough Estates Plc)

There are a number of companies with exemplary reporting. Below we look at DS Smith PLC's environmental KPIs, reported in the Business Review section of its annual report and accounts. The company gives clear total figures for the three core KPIs of energy/climate change, waste and water. Interestingly, DS Smith not only gives absolute figures for the three core KPIs, but also normalises the data

using revenue. Normalising using revenue/turnover allows the investor to compare companies with their peers (regardless of the relative size of the company), and with companies in different business sectors. If the company provides historical figures, the investor can also understand the relative efficiency of resource use in a company's production processes, and its progress in improving that efficiency.

Extract: DS Smith Plc 2006

Environmental Performance Indicators

	2005/06	2004/05	2003/04
Energy consumption¹			
GWhs	4,138	4,398	4,140
MWhs/£'000 revenue	2.50	2.71	2.78
Emissions to air²			
Carbon dioxide (CO ₂)			
'000 tonnes	926	981	918
Tonnes/£'000 revenue	0.56	0.60	0.62
Sulphur dioxide (SO ₂)			
'000 tonnes	1.97	2.00	1.89
Kgs/£'000 revenue	1.19	1.23	1.27
Nitrous oxides (NOx)			
'000 tonnes	2.46	2.61	2.45
Kgs/£'000 revenue	1.49	1.60	1.64
Water			
Water usage			
Million cubic metres	14.9	17.2	17.1
'000 cubic metres/£'000 revenue	9.0	10.6	11.5
Water emissions (paper mills only) ³			
Million cubic metres of process water discharged	10.5	10.7	11.2
'000 cubic metres/tonne of paper produced	8.4	8.6	9.2
Waste management			
Waste sent to landfill			
'000 tonnes	72	75	80
Kgs/£'000 revenue	43	46	54
Waste recycled ⁴			
'000 tonnes	324	324	282
Kgs/£'000 revenue	196	200	189
% of total waste recycled	82%	81%	78%

Coverage: data for John Dickinson, which was sold in July 2005, are included for the years 2003/04 and 2004/05 but not for 2005/06; data for the former Linpoc Containers operations, which were acquired in March 2004, are not included for 2003/04 but are included for subsequent years.

1 Data relate to site usage of all fuels, excluding transport.

2 Emissions to air have been calculated from our sites' usage of all fuels, excluding transport fuel, and therefore include both direct emissions and indirect emissions related to bought-in electricity.

3 The water emissions data relate only to the Group's paper mills, which use over 95% of the Group's water. The quantities measured, in accordance with the requirements of the IPPC regulations, are for process water only and do not include cooling water.

4 Data relate to waste generated by our operations and includes recycling through waste-to-energy and agricultural use through landsread.

(Source: Page 35, Business Review, DS Smith Plc)

European Union Emissions Trading Scheme

The EU ETS is one of the policies being introduced across Europe to tackle emissions of carbon dioxide and other greenhouse gases and to combat the serious threat of climate change. For more information on the EU ETS see the detailed discussion in the called ‘What drives environmental disclosure section’.

Only eleven companies made direct reference to the EU ETS in their annual report and accounts, with 26 making reference to emissions trading in general. This is probably due to the limited scope of industries currently within the emissions trading regime. This situation is likely to change over the next decade. The EU is proposing to extend the EU ETS to cover aviation from 2011. This would happen in two steps:

- all flights within the EU would come under the scheme from the start of 2011;
- all flights departing or arriving from an EU airport would be covered from 2012.

Investors may be interested in what airlines in the FTSE All-Share are reporting on the EU ETS and emissions trading. Below we look at two examples – British Airways and easyJet PLC.

British Airways discusses the inclusion of aviation in the EU ETS in some detail. It states its support for the move and describes how it has helped to establish guidelines for such an extension. It has participated voluntarily in the UK Emissions Trading Scheme (UKETS), although it does not report how it fared. The company reports figures on carbon dioxide emissions from aircraft use, as well as the average efficiency of its aircraft. Such disclosures provide the investor with good information for assessing how inclusion in the EU ETS will affect the company. British Airways could improve its environmental KPI reporting by including figures for waste and water. However, it should be given credit for providing data on sector-specific issues such as noise pollution.

Extract: British Airways Plc 2006

Another key issue for us all is the environment. British Airways’ environmental progress is reported in detail on page 36. We continue to support the inclusion of aviation in emissions trading, and allowing the market- rather than regulators- to decide the right balance between cuts in emissions from aircraft and reductions on the ground.

The Group is playing an active role in promoting understanding of, and minimising the effects of, aircraft emissions to the atmosphere. This has included the sharing of ‘best practice’ to minimise fuel use and emissions, and championing emissions trading as the best possible way to mitigate emissions of greenhouse gases. The Company is a member of the UK emissions trading scheme and supports the inclusion of aviation in the EU scheme. The Company is also involved in discussions within ICAO to establish guidelines for international emissions trading within aviation.

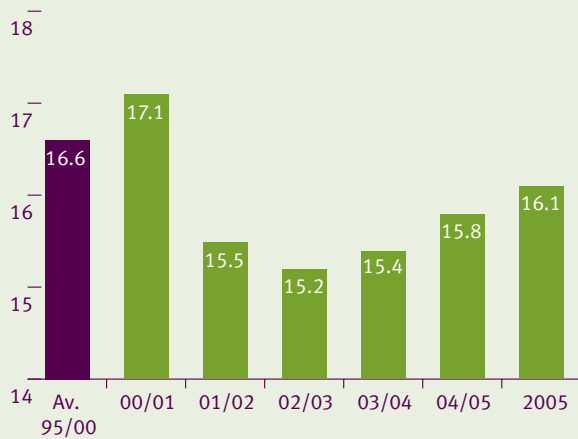
The BA Way in the Environment

The Company is committed to respecting the environment and improving its environmental performance. The Company focuses particularly on issues related to the direct impact of aviation on the environment – climate change, noise and air quality. In addition it seeks to ensure it minimises waste and makes efficient use of natural resources throughout its operations.

In 2005, the Company joined a cross-sectoral initiative to develop a strategy for the long-term development of UK aviation. The Sustainable Aviation Initiative includes commitments on key environmental challenges including limitation of climate change, noise and local emissions.

Extract: British Airways Plc (cont.)

Aircraft carbon dioxide emissions
(million tonnes)

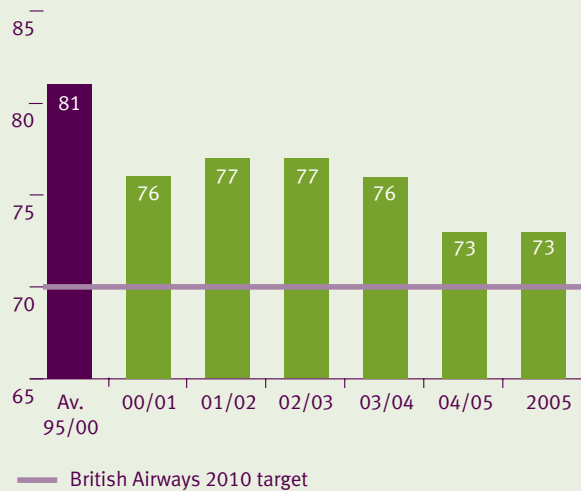


The Company is reducing the climate change impact of its aircraft fleet through investment in modern aircraft and operational measures to minimise fuel consumption. The Company's aircraft fuel efficiency has improved by 27 per cent from a 1990 baseline and remains on target to meet its fuel efficiency target of 30 per cent improvement by 2010.

The Company has participated in voluntary UK Emissions Trading Scheme since 2002. Emissions of carbon dioxide from UK properties and domestic flights have reduced by 18 per cent compared to 1998-2000 baseline. The Company believes it is the only major airline involved in emissions trading, and has sought to share its experience with the European Commission and ICAO as both organisations seek to promote the involvement of aviation in emissions trading.

(Source: Page 36-37, Directors' Report and Business Review, British Airways Plc)

Aircraft fuel efficiency
(index of fuel use per Revenue Tonne Kilometre, 1990-100)



Key Environmental Targets

The Company focuses particularly on the specific environmental impacts of aviation on the global atmosphere, and on local communities, through noise and NOx emissions which contribute to local air quality problems.

The Company continues to focus on best practice techniques to mitigate the noise and emissions impacts from its aircraft. Absolute levels of noise and emissions have, however, increased slightly as a result of the increased flying programme and improved aircraft utilisation supported by generally improved market conditions.

The Company remains on course to meet its target for a 30 per cent improvement in aircraft fuel efficiency in 2010 compared to a 1990 baseline. The Company's fuel efficiency has improved by 27 per cent since 1990, equivalent to a saving of 55 million tonnes of carbon dioxide. In calendar year 2005, carbon dioxide emissions from its global flight operations increased slightly, reflecting increased aircraft utilisation.

Similarly, easyJet discusses the inclusion of aviation in the EU ETS in some detail. It supports the inclusion of aviation in the EU ETS but 'not at any cost'. The company has participated in the European Low Fares Working Group. This was set up to review how international aviation could be included into the EU ETS. It reports its relative efficiency in great detail and discloses carbon dioxide emissions normalised per passenger kilometre and per passenger flight.

An interested investor could use these figures to work out the total amount of carbon dioxide emitted by easyJet's flight operations, but they would need to look elsewhere in the report for supporting figures. A total figure would be preferable. The company does not report on waste and water; it does report the percentage of its aircraft that meet international noise standards.

Extract: Easyjet Plc 2006

Shaping European policy on emissions trading

easyjet has the chair of the European Low Fares Airlines Association (ELFAA) environment working group and in that capacity was invited to join the European Commission's Aviation Working Group set-up to review how international aviation could be included into the EU Emissions Trading Scheme (ETS). easyjet supports the inclusion of aviation into the EU ETS, but not at any cost. A legislative proposal is due to be published by the EU at the end of 2006. easyjet has been pressing for a scheme that will cover the largest carbon footprint i.e. include flights both within Europe and all departing and arriving flights, and reward airlines that are environmentally efficient and punish those that are not.

Emissions and waste

One gramme (g) of CO₂ emitted from an aircraft has the same climatic effect as 1g of CO₂ emitted from a ground source. The scientific understanding of the effects of CO₂ emissions is well advanced. The non- CO₂ environmental effects of aircraft are not well characterised by the Kyoto Global Warming Potential metric (GWP). According to the first Intergovernmental Panel on Climate Change (IPCC) special report on aviation the non- CO₂ effects of aircraft are not as well understood 'because of the many scientific uncertainties' remaining. For example, NO_x emissions at altitude have both a warming and cooling effect.

The IPCC considered the best measure of the combined effects of greenhouse gas (GHG)

emissions, particulate emissions and contrail formation from aviation to be radiative forcing. According to the IPCC the best estimate (for 1992) of the radiative forcing by aircraft is 0.05 Wm⁻², or about 3.5% of the total radiative forcing by all anthropogenic activities. The IPCC will report on aviation again in 2007, but more recent estimates suggest that (for 2000) radiative forcing by global aviation has remained at a similar proportion to that seen in 1992².

According to the Stern Review on the Economics of Climate Change, aviation CO₂ emissions currently account for 0.7 Gt CO₂ (1.6% of global GHG emissions). In 2050 under 'business as usual' projections, CO₂ emissions from aviation would represent 2.5% of global GHG emissions. However, taking into account the non- CO₂ effects of aviation would mean that it would account for around 5% of the total warming effect (radiative forcing) in 2050³.

easyJet's business is to fly passengers between European cities. easyjet does not carry cargo. Therefore, for easyjet, the most appropriate measures of environmental efficiency with regard to CO₂ emissions are: grammes per passenger kilometre and kilogrammes per passenger flight. In 2006, easyjet flights produced an average CO₂ emission of 95.7g per passenger kilometre and 91.8kg per passenger flight.

2 Ingenta Connect Aviation radiative forcing in 2000: An update on IPCC (1999) Meteorologische Zeitschrift, Volume 14, Number 4, August 2005, pp.555-561 (7).

3 Stern Review on the Economics of Climate Change, 30/10/06

(Source: Page 42-47, Corporate and Social Responsibility Report, Easyjet Plc)

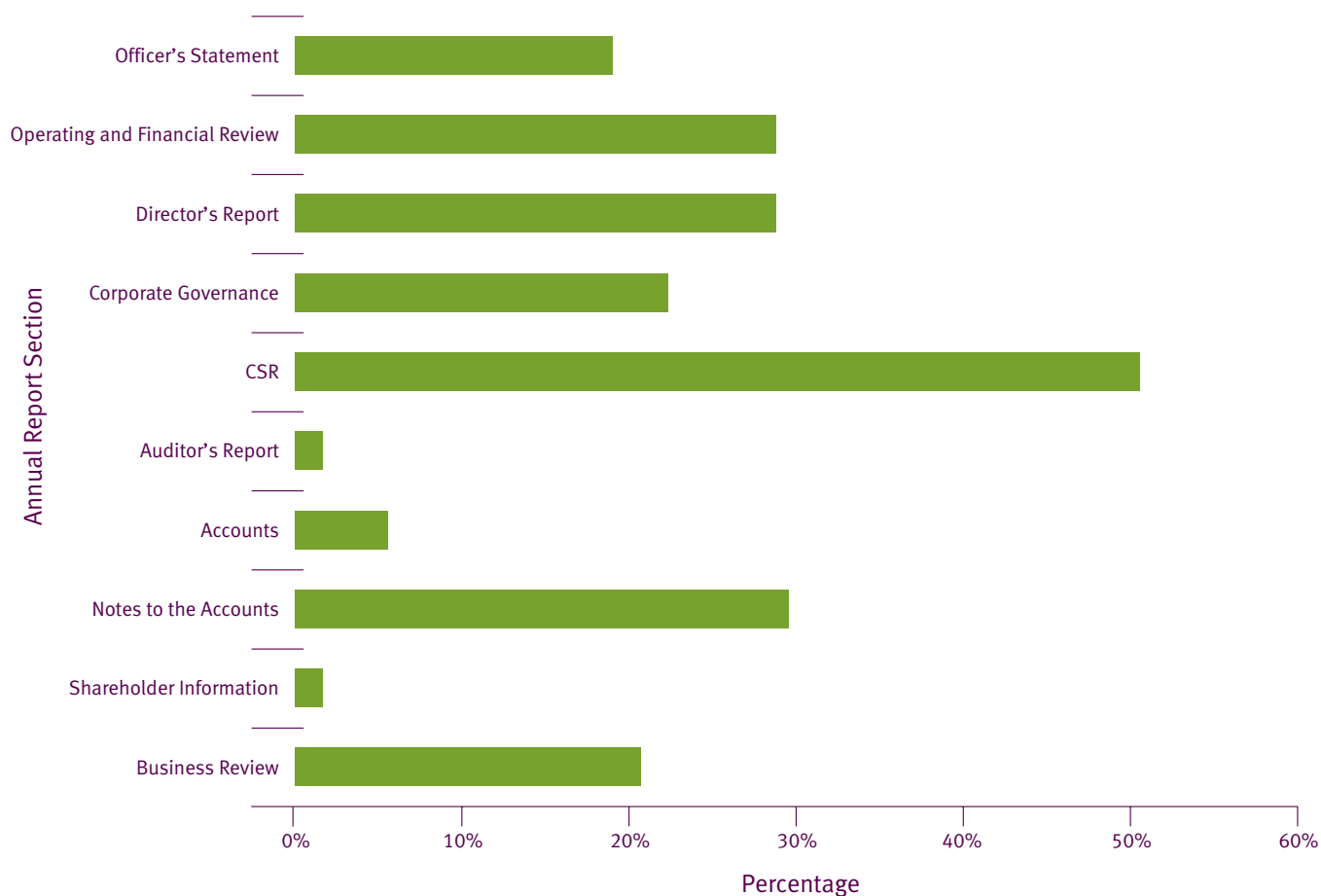
The business review – has regulation worked?

In our study, 35% of the FTSE All-Share companies included a Business Review and 69% included an Operating and Financial Review (OFR). The DTI's guidance allows a company's OFR to be considered as meeting the Business Review requirement of the amended 1985 Companies Act. Interestingly, 11% of companies had both an OFR and a Business Review. Three per cent of companies had neither a Business Review nor an OFR, choosing to report using a different structure. Twenty five companies relied on their Directors' Report or sections called Financial Review (or similar) to meet the requirements.

The table below shows where the key words used in the analysis appeared within the annual reports and accounts. The majority of key words are found within the CSR section. As can be seen below, only 21% report environmental matters in the Business Review Section, with 29% reporting in the OFR.

Under the amendment to the Companies Act 2006 companies are required to report significant environmental matters within the Business Review section of their annual report & accounts. If the Business Review Section does not include information in environmental matters it must point out the omissions and say what type of information has been left out. Currently it would seem that around half of companies chose to report environmental matters in accordance with the Business Review requirement.

Figure 6 % of Key Words found in Annual Report Sections, 2006 Data



Quantification of environmental issues – are disclosures comparable?

This report indicates that more companies in the FTSE All-Share are discussing environmental issues in their annual report and accounts. This is not surprising given the increasing emphasis that politicians, regulators, investors and other stakeholders are placing on environmental issues. General qualitative discussion of environmental issues, with evidence of the risks and opportunities facing companies, is to be welcomed. However, if disclosures are to be meaningful, readers must be able to compare a company's reporting over time, with other companies in its sector and with companies in different sectors.

One way forward would be for companies to adopt the UK Government's *Environmental Key Performance Indicators – Reporting Guidelines for UK Business*. These guidelines were published by Defra in January 2006. They set out how companies should report on specific environmental impacts. To date, in their most recent reports only 82 (15%) companies have disclosed figures and statistics in accordance with the guidelines.

This section illustrates how FTSE All-Share companies are quantifying their environmental impacts in their annual reports and accounts. We classify the reporting into the following four categories:

- no quantification;
- general quantification;
- quantification from which data can be derived to meet Government guidelines;
- quantified disclosures that meet Government guidelines.

Fifty eight per cent of the companies did not report any quantified environmental data in their annual reports and accounts. However the levels of quantification have generally increased compared with the analysis of the FTSE All-Share companies in 2004. Including all instances of quantification, the level of quantitative disclosures has increased from 27% to 42%. This indicates that the FTSE All-Share companies are moving towards reporting on environmental performance in quantitative terms, although certainly not at the speed required. Regulation, investor pressure and the growing

awareness of climate change as a business issue are all likely factors in this increase. However, many companies still do not report any quantitative data. The majority of those that do report figures have chosen not to follow the voluntary UK Government guidelines on reporting of environmental KPIs.

Two hundred and twenty four companies provided general quantification. The definition was kept wide for the purpose of this study. It includes, for example, percentage improvements in environmental performance where the absolute measurement of environmental impact is not stated, financial savings made from improved environmental performance, and absolute quantities of emitted greenhouse gases in tonnes.

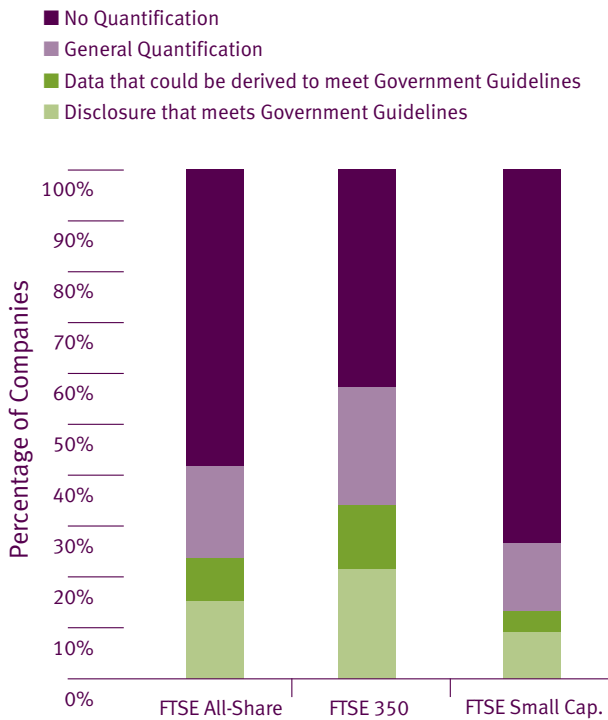
Only 8% of the companies made quantified disclosures from which comparable data can be derived. In these cases, companies quantified their impacts in a way that an informed analyst could use to arrive at a comparable figure that would comply with the guidelines but which would require significant research otherwise. An example would be a disclosure that only covered a proportion of the emissions of the entire operations. This disclosure can be scaled up using other mainstream financial data to provide an estimate of emissions for the business as a whole. Reporting on the entire business operation is essential for comparison with other companies.

Fifteen per cent of companies made quantified disclosures that were entirely in accordance with the guidelines. Only 17 companies (3%) disclosed figures and statistics that were in line with Government guidelines for all three core environmental KPIs.

FTSE 350 – A snapshot of quantified environmental reporting

FTSE 350 companies generally have a greater turnover and larger operational base than Small Cap companies. They should therefore find it easier to meet the costs of reporting. They are also likely to be household names, to maintain higher standards of corporate governance and social responsibility, and to provide peer group leadership for smaller companies. One would expect FTSE 350 companies to disclose quantitative environmental KPIs, as recommended by UK Government guidelines, to a greater degree than do Small Cap companies. Generally this is the case: 57% of FTSE 350 companies reported some figures or statistics on one of the core environmental KPIs of climate change/energy use, water and waste. This compares with a figure of 27% for FTSE Small Cap companies.

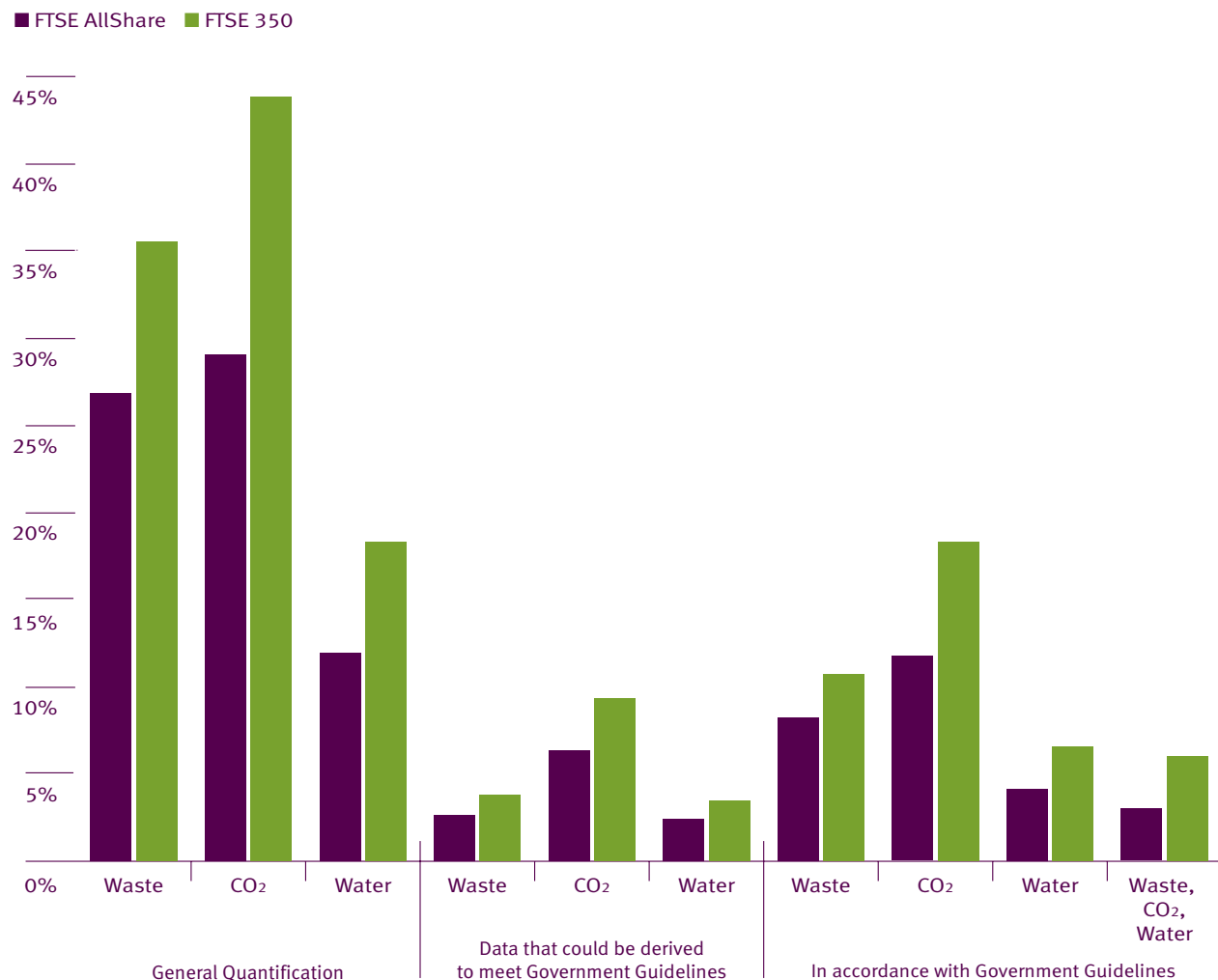
Figure 7 The relationship between the size of company and the use of quantitative reporting



Thirteen percent of companies reported figures that were derivable, meaning that the disclosure could be scaled up (using other mainstream financial figures) to provide an estimate of emissions for the business as a whole. This compares favourably with the FTSE Small Cap, where only 4% of companies disclosed derivable figures.

Only 22% of the FTSE 350 disclosed information entirely in line with Government guidelines for one or more of the three core KPIs (climate change/energy use, waste and water). Only 16 companies reported on all three core environmental KPIs. This is less than 5% of the FTSE 350.

Figure 8 Disclosure of Quantitative Data FTSE All-Share v FTSE 350



Progress and next steps

The environment has found its way into most annual reports and accounts. Some 98% of all FTSE All-Share companies address environmental issues in their annual report. Small companies are now almost as likely as large ones to address environmental issues. Given the importance of environmental issues today, it is worrying that 2% of FTSE All-Share companies continue to make no mention of the environment in their annual report and accounts. The environmental challenges that face us, locally, nationally and globally, mean that levels of clear, concise and comparable environmental reporting need to increase dramatically. Increasingly, companies are being forced by regulation and competitive pressures to recognise the environment as a scarce resource or as a depreciating asset. For example, the *Financial Times* recently reported that, ‘As many as 5,000 [UK] businesses and public sector bodies would be forced to buy greenhouse gas permits under plans for a mandatory carbon-trading scheme.’¹⁴

Companies with no key word Environmental Disclosures in 2006 Annual Report and Accounts

Company	Sector
Hornby plc	Consumer Goods
Accident Exchange Group plc	Financials
Daejan Holdings plc	Financials
Alpha Pyrénées	Financials
Emblaze Limited	Technology
Dicom Group plc	Technology
Dimension Data Holdings plc	Technology
IG Group Holdings plc	Financials
London & Associated Properties plc	Financials
SDL plc	Technology
Westbury Property Fund plc	Financials

Companies increasingly mention the environment in their annual reports and accounts. However facts and figures are still too few and far between. This is disappointing given that 98% of all FTSE All-Share companies now report to some degree on environmental issues, and that Government guidelines recommend quantitative disclosure. Only 42% of FTSE All-Share companies provide some form of environmental data – up just 7% since 2004.

A further 8% of companies provided figures from which comparable data can be derived, but only with some expertise in environmental calculation techniques. Finally, only 15% of companies made quantified disclosures, in accordance with Government guidelines, that would allow decision-makers to make proper comparisons of company performance. Regulators and businesses must work together to ensure that accepted and normal good practice means providing the relevant, comparable figures on which decision-makers can rely.

Shareholders have a legitimate right to know the environmental impacts associated with the companies in which they invest. Environmental costs are often described as ‘external’ costs because the organisations that are responsible for them all too often do not have to pay them. These costs are nonetheless very real. They can become real obligations to the company through regulatory compliance costs and environmental taxes, and through financial instruments such as the EU Emissions Trading Scheme.

Shareholders and society at large are increasingly demanding more information on the environmental consequences of the economic activities of companies. Responsible companies are responding to those demands. As our research has shown, smaller companies are less likely to provide the information that investors, regulators and the Government need if they are to make better, more informed environmental decisions. Smaller companies may view it is difficult or expensive to measure and report environmental impacts. However, the Government's own research

and its guidelines firmly refute this view². More than 80% of companies need to report only five or fewer environmental key performance indicators in order to cover all the environmental impacts that are, or are likely to be, material. For 60% of companies this goes down to three KPIs or fewer. The data is not difficult for companies to collect; almost all of it can be derived from data sources which most companies routinely maintain and report. See below for a brief summary of the three core KPIs and what should be reported.

Core Environmental KPIs	Definition	Quantity
Waste	General Office Waste, Recycled Waste, Hazardous waste	Absolute Tonnes split by Disposal Type
Greenhouse Gases/Energy Use	Emissions from Gas Boilers, Industrial Processes or Electricity Consumption	Absolute Tonnes CO ₂ by Source
Water	Consumption of Supplied Water, Water abstracted from Rivers/Ground Water	Absolute Cubic Metres by Source

In order to further this understanding companies should be encouraged to use helpful and practical advice in the Government's *Reporting Guidelines for UK Business* and in the Accounting Standards Board's Reporting Statement. The Environment Agency will continue to encourage companies produce good quality environmental Reporting, which is both important and achievable now.

Appendices

Table 1 Accounting and reporting standards

Country	Description	Date	Scope	Comments
US	FASB Interpretation No. 47	2005	All SEC-listed companies	Accounting for conditional asset retirement obligations.
International/ EU / UK	IAS 36 – Impairment of Assets	2005	All EU-listed companies	IAS equivalent of FRS 11.
International/ EU / UK	IAS 37 – Provisions, & Contingent Liabilities	2005	All EU-listed companies	IAS equivalent of FRS 12.
International/ EU / UK	IAS 38 – Intangible Assets	2005	All EU-listed companies	IAS equivalent of FRS 10.
EU	Accounts Modernisation Directive 2004/109/EC	2005	All EU companies	Transposed into national law in all Member States, with the exception of Italy and Greece.
EU	Prospective Directive (2003/71/EC)	2005	Equity issuers	The Prospective Directive requires equity issuers to disclose in a prospectus a description of any environmental issues that may affect the issuer's utilisation of tangible fixed assets.
EU	Transparency Directive (2004/109/EC) & Working Document ESC/34/2005	2007	Issuers with securities	The Transparency Directive requires the investment entity to include, within its annual report and accounts, 'analysis using financial key performance indicators; and where appropriate, analysis using other key performance indicators including information relating to environmental matters and employee matters;...'
EU	EU Commission Recommendation (2001/453/EC)	No date set	Not specified	On the recognition, measurement and disclosure of environmental expenditures, liabilities, risks and assets; the company's attitude to the environment; and environmental performance to the extent it may affect the financial position of the company.
UK	Companies Act 1985 March Regulations 2005 (S.I. 2005/ 1011)	2005	All UK companies	Transposition of EU Accounts Modernisation Directive. Large companies, both quoted and unquoted, must produce a Business Review as part of an enhanced Directors' Report that, where appropriate, includes analysis using KPIs, including information relating to environmental matters. (OFR abolished 12 January 2006.)
UK	Companies Bill	2007	All UK Companies	Reform company law and restate the greater part of the enactments relating to companies.
UK	FRS 10 – Goodwill & Intangible Assets	Existing (1985 & 1989)	All UK-registered companies	Tradable emissions permits will be accounted for as intangible assets.

Country	Description	Date	Scope	Comments
UK	FRS 11 – Impairment of Fixed Assets & Goodwill	Existing (1985 & 1989)	All UK-registered companies	Covers the revaluation of fixed assets, such as land or buildings, that are contaminated or impaired in some other way by pollution. Includes impairment due to regulatory or statutory changes.
UK	FRS 12 – Provisions, Contingent Liabilities and Contingent Assets	Existing (1985 & 1989)	All UK-registered companies	The financial impact of certain environmental liabilities must be disclosed in annual company accounts, including contingent obligations under pending regulations. A descriptive note on each provision is required.
Germany	BilKog & BillReG	2005	All German companies	German implementation of the EU Accounts Modernisation Directive.
The Netherlands	Environmental Management Act	Existing (1999)	300 high-impact and volunteer companies	Two reports on environmental impacts including quantitative data. One is submitted to government and one is made public.
France	Company Law Code	Existing (2003)	All French listed companies	Companies must report on the impact of their activities on the environment, the management controls in place and any environmental expenditure.
Sweden	Law of the Accounts	Existing (1999)	10,000 companies covered by Swedish Environmental Code	Companies must report on environmental impacts, any actual or potential financial implications, the environmental codes governing the impacts, and the dependence of the company's activities on compliance with those codes.
Norway	Law of the Accounts	Existing (1999)	All companies subject to the Law of Accounts	All companies must give an account of the impact of their operations on the environment and of any existing or planned measures to reduce this impact. This should be in the Directors' Report.
Denmark	Environmental Protection Act	Existing (1996)	1,200 companies covered by the Act	'Green accounts' must be prepared that disclose significant consumption of energy, water, raw materials and the type and quantity of pollutants to air, land and water.

Table 2 Forthcoming International Environmental Regulation

Country	Description	Date	Scope	Comments
EU	Environmental Liability Directive	2007	All companies operating in EU	When the Environmental Liability Directive is enacted, it will reinforce existing regulations on remediation and restoration obligations. It is not retrospective.
EU	Environmental Liability Directive	30 April 2007	All EU companies	The proposed Directive is aimed at the prevention and remediation of environmental damage.
EU	WEEE Directive (2002/96/EC)	2007	EU companies that produce, import or resell electrical and electronic equipment (EEE) produced by someone else under their own brand	Producers will have to register with the UK Environment Agency and will be set recovery targets. Key provisions include: <ul style="list-style-type: none"> • information systems to collect data on the quantities of products sold, collected, reused, recycled or recovered; • systems for the collection, treatment, recovery and disposal of waste EEE; • recovery and recycling/reuse targets for producers. Risks include the cost of financing collection, recycling and recovery and ensuring legal compliance. The Environment Agency has published company guidance ² .
EU	European Pollutant Emissions Register	Existing (2003)	Companies regulated by IPPC	Reporting on 50 pollutants every three years by all companies regulated by the IPPC. As with the UK Pollution Inventory, this is on a site level and is reported by subsidiary companies, not by listed entities. It is not aggregated by group.
EU	REACH	2007	EU chemicals companies	Registration, Evaluation and Authorisation of Chemicals. Companies that manufacture or import more than one tonne of a chemical substance per year will be required to register.
EU / UK	IPPC (replacing IPC)	Existing (2000) – 2007	Primary and manufacturing operations in EU	Includes reporting of quantities of emissions for a variety of pollutants, on a site and company basis, to the European Pollutant Emissions Register. This is publicly available.
EU / UK	EU Emissions Trading Scheme	2005	Specific sectors with more than 20 MW thermal input capacity	Potentially neutral impact on balance sheet but permits are expected to be treated as intangible assets; the emission of pollutants will create a liability.
UK	Fuel duty	Existing (1987)	All companies operating UK vehicle fleets	Differentiation of sales duty between different fuel types depending upon their emissions.
UK	IPC	Existing (1990)	Companies with primary and manufacturing operations in EU	Includes reporting of quantities of emissions for a variety of pollutants on a site basis to the Environment Agency's Pollution Inventory. This is publicly available.

Country	Description	Date	Scope	Comments
UK	Enhanced Capital Allowances	Existing	All UK registered companies	100% capital allowances from the Inland Revenue on energy efficient plant and machinery. This information is only disclosed to the Inland Revenue but is collected. This provides an opportunity for reporting.
UK	Public Register	Existing (Various)	Regulated companies	List of companies and sites licensed to abstract water, discharge to land air and water; handle radioactive substances; or operate landfill sites (also includes producer responsibility).
UK	Landfill Tax	Existing (1996)	Companies with UK waste management operations	Increased costs of landfill (tax escalates annually). This information is only disclosed to the Inland Revenue but is collected. This provides an opportunity for reporting.
UK	Climate Change Levy	Existing (2000)	All UK operating companies excluding domestic fuel supply	Tax and tax credit mechanisms. Should be reviewed for their inclusion in statutory accounts.
UK	Aggregates Tax	Existing (2002)	Companies with UK mining and construction operations	Tax per tonne of sand, gravel or rock quarried for aggregate. This information is only disclosed to the Revenue but is collected. This provides an opportunity for reporting.
UK	Renewables Obligation	Existing (2002)	UK electricity generators	Power suppliers required to derive a specified proportion of the electricity they supply to their customers from renewables.
UK	Company Car Tax	Existing (2002)	Companies operating UK vehicle fleets	Differentiation of tax and NICs dependent upon the CO ₂ emissions of the vehicle.
UK	Parts of IPPC, Water Resources Act, CROW Act and EPA Pt IIA	Existing (Various)	All companies operating in UK	There are elements in each of these four regulatory frameworks that cover the pollution of air, land and water. These provide for an obligation to be placed on one that 'causes or knowingly permits' pollution to restore the environment to previous condition. This obligation gives rise to liabilities recognised under FRS 12 / IAS 37.
USA	CERCLA / SARA (Superfund)	Existing (1980 / 1986)	Companies with chemical and petroleum operations in US	Two components: a tax creating a fund for clean-up and a law making the polluter liable for cleaning up damage caused by the release of hazardous substances.
SA	Emergency Planning & Community Right to Know	Existing (1986)	Companies emitting 'listed' pollutants in US	Introduced under SARA, the Act created the obligation of companies emitting hazardous substances above a threshold to submit quantitative disclosures at site level to the EPA Toxic Release Inventory.

Table 3 Company reporting in the FTSE All-Share – location of reporting and number of core environmental KPIs

Highlighted companies are those which give absolute figures for waste, CO ₂ emissions and water use						
Name	ICB Industry Sector	FTSE Index	OFR	Business Review	Both	Number of core KPIs disclosed in accordance with Government Guidelines – out of 3
3i GROUP PLC	Financials	FTSE 100		Yes		1
4IMPRINT GROUP PLC	Industrials	FTSE All-Share				0
888 HOLDINGS PLC	Consumer Services	FTSE 250		Yes		0
A. & J. MUCKLOW GROUP PLC	Financials	FTSE All-Share	Yes			0
A.G. BARR PLC	Consumer Goods	FTSE All-Share				1
ABACUS GROUP PLC	Industrials	FTSE All-Share	Yes			0
ABBOT GROUP PLC	Oil & Gas	FTSE 250	Yes	Yes	Yes	0
ABERDEEN ASSET MANAGEMENT PLC	Financials	FTSE 250		Yes		0
ACAL PLC	Industrials	FTSE All-Share	Yes			0
ACAMBIS PLC	Health Care	FTSE All-Share		Yes		0
ACCIDENT EXCHANGE GROUP PLC	Financials	FTSE All-Share		Yes		0
ADMIRAL GROUP PLC	Financials	FTSE 250	Yes			1
AEA TECHNOLOGY PLC	Industrials	FTSE All-Share	Yes			0
AEGIS GROUP PLC	Consumer Services	FTSE 250	Yes	Yes	Yes	0
AGA FOODSERVICE GROUP PLC	Consumer Goods	FTSE 250		Yes		0
AGCERT INTERNATIONAL PLC	Industrials	FTSE All-Share	Yes			0
AGGREKO PLC	Industrials	FTSE 250				0
ALBA PLC	Consumer Goods	FTSE All-Share		Yes		0
ALEA GROUP HOLDINGS (BERMUDA) LTD	Financials	FTSE All-Share	Yes			0
ALEXON GROUP PLC	Consumer Services	FTSE All-Share	Yes			0
ALFRED MCALPINE PLC	Industrials	FTSE 250		Yes		0
ALIZYME PLC	Health Care	FTSE All-Share	Yes			0
ALLIANCE & LEICESTER PLC	Financials	FTSE 100		Yes		0
ALPHA AIRPORTS GROUP PLC	Industrials	FTSE All-Share	Yes			0
ALPHA PYRENEES TRUST LIMITED	Financials	FTSE All-Share				0
AMEC PLC	Industrials	FTSE 250	Yes	Yes	Yes	0
AMLIN PLC	Financials	FTSE 250	Yes			1
AMSTRAD PLC	Consumer Goods	FTSE All-Share				0
AMVESCAP PLC	Financials	FTSE 100	Yes	Yes	Yes	0
ANGLO AMERICAN PLC	Basic Materials	FTSE 100	Yes			1
ANGLO PACIFIC GROUP PLC	Basic Materials	FTSE All-Share	Yes			0
ANGLO-EASTERN PLANTATIONS PLC	Consumer Goods	FTSE All-Share				0
ANITE GROUP PLC	Technology	FTSE All-Share	Yes			0
ANTISOMA PLC	Health Care	FTSE All-Share	Yes			0
ANTOFAGASTA PLC	Basic Materials	FTSE 100	Yes			0
AQUARIUS PLATINUM LIMITED	Basic Materials	FTSE 250	Yes			0
ARENA LEISURE PLC	Consumer Services	FTSE All-Share	Yes			0
ARK THERAPEUTICS PLC	Health Care	FTSE All-Share	Yes			0
ARLA FOODS UK PLC	Consumer Goods	FTSE All-Share		Yes		0
ARM HOLDINGS PLC	Technology	FTSE 250	Yes	Yes	Yes	0
ARRIVA PLC	Consumer Services	FTSE 250	Yes			0
ASHTREAD GROUP PLC	Industrials	FTSE 250	Yes			0
ASSOCIATED BRITISH FOODS PLC	Consumer Goods	FTSE 100	Yes			3

Name	ICB Industry Sector	FTSE Index	OFR	Business Review	Both	Number of core KPIs disclosed in accordance with Government Guidelines – out of 3
ASSURA GROUP LIMITED	Financials	FTSE 250	Yes			0
ASTRAZENECA PLC	Health Care	FTSE 100	Yes	Yes	Yes	0
ATRIUM UNDERWRITING PLC	Financials	FTSE All-Share	Yes			0
AUTONOMY CORPORATION PLC	Technology	FTSE 250	Yes			0
AVEVA GROUP PLC	Technology	FTSE All-Share	Yes			0
AVIS EUROPE PLC	Consumer Services	FTSE 250		Yes		2
AVIVA PLC	Financials	FTSE 100		Yes		1
AWG PLC	Utilities	FTSE 250		Yes		0
AXIS-SHIELD PLC	Health Care	FTSE All-Share	Yes			0
AXON GROUP PLC	Technology	FTSE All-Share	Yes	Yes	Yes	0
BAA PLC	Industrials	FTSE 100	Yes			1
BABCOCK INTERNATIONAL GROUP PLC	Industrials	FTSE 250		Yes		0
BAE SYSTEMS PLC	Industrials	FTSE 100	Yes			3
BALFOUR BEATTY PLC	Industrials	FTSE 250		Yes		0
BARCLAYS PLC	Financials	FTSE 100	Yes			0
BARRATT DEVELOPMENTS PLC	Consumer Goods	FTSE 250	Yes			0
BBA AVIATION PLC	Industrials	FTSE 250		Yes		0
BEAZLEY GROUP PLC	Financials	FTSE All-Share	Yes			0
BELLWAY PLC	Consumer Goods	FTSE 250	Yes			0
BENFIELD GROUP LTD	Financials	FTSE 250	Yes			0
BERKELEY GROUP HOLDINGS PLC (THE)	Consumer Goods	FTSE 250	Yes			0
BESPAK PLC	Health Care	FTSE All-Share	Yes			1
BG GROUP PLC	Oil & Gas	FTSE 100		Yes		1
BHP BILLITON PLC	Basic Materials	FTSE 100	Yes			0
BIG YELLOW GROUP PLC	Financials	FTSE All-Share		Yes		0
BLACKS LEISURE GROUP PLC	Consumer Services	FTSE All-Share	Yes			0
BLOOMSBURY PUBLISHING PLC	Consumer Services	FTSE All-Share	Yes			2
BODYCOTE INTERNATIONAL PLC	Industrials	FTSE 250		Yes		0
BOOTS GROUP PLC	Consumer Services	FTSE 100	Yes			0
BOVIS HOMES GROUP PLC	Consumer Goods	FTSE 250	Yes			0
BP PLC	Oil & Gas	FTSE 100	Yes			1
BPP HOLDINGS PLC	Industrials	FTSE All-Share		Yes		0
BRADFORD & BINGLEY PLC	Financials	FTSE 250		Yes		1
BRAEMAR SEASCOPE GROUP PLC	Industrials	FTSE All-Share	Yes			0
BRAMMER PLC	Industrials	FTSE All-Share	Yes			0
BREWIN DOLPHIN HOLDINGS PLC	Financials	FTSE All-Share	Yes			0
BRIT INSURANCE HOLDINGS PLC	Financials	FTSE 250	Yes			1
BRITISH AIRWAYS PLC	Consumer Services	FTSE 100		Yes		1
BRITISH AMERICAN TOBACCO PLC	Consumer Goods	FTSE 100	Yes	Yes	Yes	0
BRITISH ENERGY PLC	Utilities	FTSE 100		Yes		0
BRITISH LAND COMPANY PLC (THE)	Financials	FTSE 100	Yes			0
BRITISH POLYTHENE INDUSTRIES PLC	Industrials	FTSE All-Share		Yes		0
BRITISH SKY BROADCASTING GROUP PLC	Consumer Services	FTSE 100	Yes	Yes	Yes	0

Table 3 Company reporting in the FTSE All-Share – location of reporting and number of core environmental KPIs

Name	ICB Industry Sector	FTSE Index	OFR	Business Review	Both	Number of core KPIs disclosed in accordance with Government Guidelines – out of 3
BRITVIC PLC	Consumer Goods	FTSE All-Share	Yes			0
BRIXTON PLC	Financials	FTSE 250	Yes			1
BSS GROUP PLC (THE)	Industrials	FTSE 250	Yes			0
BT GROUP PLC	Telecommunications	FTSE 100	Yes	Yes	Yes	2
BTG PLC	Health Care	FTSE All-Share	Yes			0
BUNZL PUBLIC LIMITED COMPANY	Industrials	FTSE 250	Yes			0
BURBERRY GROUP	Consumer Goods	FTSE 250		Yes		0
BURREN ENERGY PLC	Oil & Gas	FTSE 250	Yes			3
BUSINESS POST GROUP PLC	Industrials	FTSE All-Share	Yes			0
CABLE & WIRELESS PLC	Telecommunications	FTSE 100	Yes			0
CADBURY SCHWEPPE'S PUBLIC LIMITED COMPANY	Consumer Goods	FTSE 100	Yes			0
CAFFE NERO GROUP PLC	Consumer Services	FTSE All-Share				0
CAIRN ENERGY PLC	Oil & Gas	FTSE 100	Yes			0
CAMELLIA PUBLIC LIMITED COMPANY	Financials	FTSE All-Share				0
CAPITA GROUP PLC (THE)	Industrials	FTSE 100		Yes		1
CAPITAL AND REGIONAL PLC	Financials	FTSE 250	Yes			0
CARE UK PLC	Health Care	FTSE All-Share	Yes			0
CARILLION PLC	Industrials	FTSE 250	Yes			0
CARNIVAL PLC	Consumer Services	FTSE 100				0
CARPETRIGHT PLC	Consumer Services	FTSE 250		Yes		0
CARPHONE WAREHOUSE GROUP PLC (THE)	Consumer Services	FTSE 250	Yes			0
CARTER & CARTER GROUP PLC	Industrials	FTSE All-Share		Yes		0
CATLIN GROUP LTD	Financials	FTSE 250		Yes		0
CATTLES PLC	Financials	FTSE 250	Yes			0
CENTAUR MEDIA PLC	Consumer Services	FTSE All-Share	Yes	Yes	Yes	0
CENTRICA PLC	Utilities	FTSE 100		Yes		1
CHARLES STANLEY GROUP PLC	Financials	FTSE All-Share	Yes			0
CHARLES TAYLOR CONSULTING PLC	Financials	FTSE All-Share		Yes		0
CHARTER PLC	Industrials	FTSE 250	Yes	Yes	Yes	0
CHAUCER HOLDINGS PLC	Financials	FTSE All-Share	Yes			0
CHEMRING GROUP PLC	Industrials	FTSE All-Share		Yes		0
CHESNARA PLC	Financials	FTSE All-Share	Yes			0
CHIME COMMUNICATIONS PLC	Consumer Services	FTSE All-Share	Yes			1
CHLORIDE GROUP PLC	Industrials	FTSE All-Share	Yes			0
CHRISTIAN SALVESEN PLC	Industrials	FTSE All-Share	Yes			0
CHRYSALIS GROUP PLC	Consumer Services	FTSE All-Share		Yes		0
CLARKSON PLC	Industrials	FTSE All-Share	Yes			0
CLINPHONE PLC	Health Care	FTSE All-Share		Yes		0
CLINTON CARDS PLC	Consumer Services	FTSE All-Share	Yes			0
CLOSE BROTHERS GROUP PLC	Financials	FTSE 250	Yes			0
CLS HOLDINGS PLC	Financials	FTSE 250	Yes			0
COBHAM PLC	Industrials	FTSE 250	Yes			1
COLLINS STEWART PLC	Financials	FTSE 250	Yes			0

Name	ICB Industry Sector	FTSE Index	OFR	Business Review	Both	Number of core KPIs disclosed in accordance with Government Guidelines – out of 3
COLT TELECOM GROUP S.A	Telecommunications	FTSE 250	Yes			0
COMMUNISIS PLC	Industrials	FTSE All-Share		Yes		1
COMPASS GROUP PLC	Consumer Services	FTSE 100	Yes			0
COMPUTACENTER PLC	Technology	FTSE 250	Yes			0
CONNAUGHT PLC	Industrials	FTSE All-Share	Yes			0
COOKSON GROUP PLC	Industrials	FTSE 250	Yes			0
CORIN GROUP PLC	Health Care	FTSE All-Share	Yes			0
CORPORATE SERVICES GROUP PLC (THE)	Industrials	FTSE All-Share	Yes			0
CORUS GROUP PLC	Basic Materials	FTSE 100	Yes			0
COSTAIN GROUP PLC	Industrials	FTSE All-Share	Yes			0
COUNTRYWIDE PLC	Financials	FTSE 250	Yes			0
CRANSWICK PLC	Consumer Goods	FTSE All-Share	Yes			0
CREST NICHOLSON PLC	Consumer Goods	FTSE 250	Yes			0
CRESTON PLC	Consumer Services	FTSE All-Share	Yes	Yes	Yes	0
CRODA INTERNATIONAL PLC	Basic Materials	FTSE 250	Yes			0
CSR PLC	Technology	FTSE 250		Yes		0
DAEJAN HOLDINGS PLC	Financials	FTSE 250				0
DAILY MAIL AND GENERAL TRUST PLC	Consumer Services	FTSE 100		Yes		0
DAIRY CREST GROUP PLC	Consumer Goods	FTSE 250	Yes			0
DATAMONITOR PLC	Consumer Services	FTSE All-Share	Yes	Yes	Yes	0
DAVIS SERVICE GROUP PLC (THE)	Industrials	FTSE 250	Yes	Yes	Yes	0
DE LA RUE PLC	Industrials	FTSE 250	Yes			3
DEBENHAMS PLC	Consumer Services	FTSE 250	Yes			2
DECHRA PHARMACEUTICALS PLC	Health Care	FTSE All-Share	Yes	Yes	Yes	0
DELTA PLC	Basic Materials	FTSE All-Share	Yes			0
DERWENT LONDON PLC	Financials	FTSE 250	Yes			0
DETICA GROUP PLC	Technology	FTSE All-Share	Yes	Yes	Yes	0
DEVELOPMENT SECURITIES PLC	Financials	FTSE All-Share	Yes			0
DEVRO PLC	Consumer Goods	FTSE All-Share		Yes		0
DIAGEO PLC	Consumer Goods	FTSE 100	Yes			0
DICOM GROUP PLC	Technology	FTSE All-Share	Yes			0
DIGNITY PLC	Consumer Services	FTSE All-Share		Yes		0
DIMENSION DATA HOLDINGS PLC	Technology	FTSE 250	Yes			0
DIPLOMA PLC	Industrials	FTSE All-Share	Yes			0
DOMESTIC & GENERAL GROUP PLC	Financials	FTSE All-Share				0
DOMINO PRINTING SCIENCES PLC	Industrials	FTSE All-Share	Yes			0
DRAX	Utilities	FTSE 250	Yes			0
DS SMITH PLC	Industrials	FTSE 250	Yes	Yes	Yes	3
DSG INTERNATIONAL PLC	Consumer Services	FTSE 100	Yes	Yes	Yes	1
DTZ HOLDINGS PLC	Financials	FTSE All-Share	Yes			0
DYSON GROUP PLC	Basic Materials	FTSE All-Share	Yes			0
E2V TECHNOLOGIES	Industrials	FTSE All-Share	Yes			1
EASYJET PLC	Consumer Services	FTSE 250	Yes			0
ELECTROCOMPONENTS	Industrials	FTSE 250		Yes		0

Table 3 Company reporting in the FTSE All-Share – location of reporting and number of core environmental KPIs

Name	ICB Industry Sector	FTSE Index	OFR	Business Review	Both	Number of core KPIs disclosed in accordance with Government Guidelines – out of 3
ELEMENTIS PLC	Basic Materials	FTSE All-Share		Yes		1
EMAP PLC	Consumer Services	FTSE 250	Yes			3
EMBLAZE LIMITED	Technology	FTSE All-Share				0
EMERALD ENERGY PLC	Oil & Gas	FTSE All-Share	Yes			0
EMI GROUP PLC	Consumer Services	FTSE 250	Yes			0
ENNSTONE PLC	Industrials	FTSE All-Share	Yes	Yes	Yes	0
ENODIS PLC	Industrials	FTSE 250	Yes			0
ENTERPRISE INNS PLC	Consumer Services	FTSE 100	Yes			0
ENTERTAINMENT RIGHTS PLC	Consumer Services	FTSE All-Share	Yes			0
EUROMONEY INSTITUTIONAL INVESTOR PLC	Consumer Services	FTSE 250				0
EVOLUTION GROUP PLC	Financials	FTSE All-Share	Yes			1
EXPRO INTERNATIONAL GROUP PLC	Oil & Gas	FTSE 250	Yes			0
F&C ASSET MANAGEMENT PLC	Financials	FTSE 250		Yes		0
FENNER PLC	Industrials	FTSE All-Share		Yes		0
FIBERWEB PLC	Industrials	FTSE All-Share		Yes		0
FILTRONA PLC	Industrials	FTSE 250		Yes		0
FILTRONIC PLC	Technology	FTSE All-Share		Yes		0
FINDEL PLC	Consumer Services	FTSE 250	Yes			0
FIRST CHOICE HOLIDAYS PLC	Consumer Services	FTSE 250	Yes			0
FIRSTGROUP PLC	Consumer Services	FTSE 250	Yes			0
FKI PLC	Industrials	FTSE 250	Yes	Yes	Yes	2
FORTH PORTS PLC	Industrials	FTSE 250		Yes		0
FORTUNE OIL PLC	Oil & Gas	FTSE All-Share	Yes	Yes	Yes	1
FOSECO PLC	Industrials	FTSE All-Share	Yes			0
FREEPART PLC	Financials	FTSE All-Share	Yes			0
FRENCH CONNECTION GROUP PLC	Consumer Services	FTSE All-Share	Yes			0
FRIENDS PROVIDENT PLC	Financials	FTSE 100	Yes			0
FULLER, SMITH & TURNER PLC	Consumer Services	FTSE All-Share	Yes			0
FUTURE PLC	Consumer Services	FTSE All-Share	Yes			0
GALIFORM PLC	Industrials	FTSE 250		Yes		2
GALLIFORD TRY PLC	Industrials	FTSE All-Share	Yes			0
GAME GROUP PLC (THE)	Consumer Services	FTSE All-Share	Yes			0
GAMES WORKSHOP GROUP PLC	Consumer Goods	FTSE All-Share		Yes		0
GCAP MEDIA PLC	Consumer Services	FTSE 250	Yes			0
GEORGE WIMPEY PLC	Consumer Goods	FTSE 250	Yes			0
GKN PLC	Consumer Goods	FTSE 250		Yes		0
GLAXOSMITHKLINE PLC	Health Care	FTSE 100		Yes		0
GO-AHEAD GROUP PLC (THE)	Consumer Services	FTSE 250	Yes			0
GOLDENPORT HOLDINGS INC	Industrials	FTSE All-Share	Yes			0
GOLDSHIELD GROUP PLC	Health Care	FTSE All-Share	Yes			0
GRAINGER TRUST PLC	Financials	FTSE 250	Yes			0
GREAT PORTLAND ESTATES PLC	Financials	FTSE 250	Yes			0
GREENE KING PLC	Consumer Services	FTSE 250		Yes		0

Name	ICB Industry Sector	FTSE Index	OFR	Business Review	Both	Number of core KPIs disclosed in accordance with Government Guidelines – out of 3
GREGGS PLC	Consumer Services	FTSE 250		Yes		0
GROUP 4 SECURICOR PLC	Industrials	FTSE 250	Yes			0
GUS PLC	Consumer Services	FTSE 100		Yes		0
GYRUS GROUP PLC	Health Care	FTSE 250	Yes	Yes	Yes	0
HALFORDS GROUP PLC	Consumer Services	FTSE 250	Yes			0
HALMA PLC	Industrials	FTSE 250		Yes		0
HAMMERSON PLC	Financials	FTSE 100	Yes	Yes	Yes	0
HAMPSON INDUSTRIES PLC	Industrials	FTSE All-Share		Yes		0
HARDY UNDERWRITING GROUP PLC	Financials	FTSE All-Share	Yes			0
HAYS PLC	Industrials	FTSE 250		Yes		0
HBOS PLC	Financials	FTSE 100	Yes			1
HEADLAM GROUP PLC	Consumer Goods	FTSE 250	Yes	Yes	Yes	0
HELICAL BAR PLC	Financials	FTSE All-Share	Yes			0
HELPHIRE GROUP PLC	Financials	FTSE 250	Yes			0
HENDERSON GROUP PLC	Financials	FTSE 250		Yes		0
HEYWOOD WILLIAMS GROUP PLC	Industrials	FTSE All-Share		Yes		0
HIGHWAY INSURANCE HOLDINGS PLC	Financials	FTSE All-Share		Yes		0
HIKMA PHARMACEUTICALS PLC	Health Care	FTSE 250	Yes			0
HILL & SMITH HOLDINGS PLC	Industrials	FTSE All-Share	Yes			0
HITACHI CAPITAL (UK) PLC	Financials	FTSE All-Share		Yes		0
HMV GROUP PLC	Consumer Services	FTSE 250	Yes			0
HOCHSCHILD MINING PLC	Basic Materials	FTSE 250		Yes		0
HOGG ROBINSON GROUP	Industrials	FTSE All-Share				0
HOLIDAYBREAK PLC	Consumer Services	FTSE All-Share	Yes	Yes	Yes	1
HOME RETAIL GROUP PLC	Consumer Services	FTSE 100		Yes		0
HOMESERVE PLC	Industrials	FTSE 250	Yes			0
HOMESTYLE GROUP PLC	Consumer Services	FTSE All-Share	Yes			0
HORNBY PLC	Consumer Goods	FTSE All-Share	Yes			0
HSBC HOLDINGS PLC	Financials	FTSE 100	Yes	Yes	Yes	0
HUNTING PLC	Oil & Gas	FTSE 250		Yes		0
HUNTSWORTH PLC	Consumer Services	FTSE All-Share	Yes			1
HYDER CONSULTING PLC	Industrials	FTSE All-Share	Yes			0
ICAP PLC	Financials	FTSE 250	Yes			0
IG GROUP HOLDINGS PLC	Financials	FTSE 250	Yes			0
IMAGINATION TECHNOLOGIES GROUP PLC	Technology	FTSE All-Share	Yes			0
IMI PLC	Industrials	FTSE 250	Yes			1
IMPERIAL CHEMICAL INDUSTRIES PLC	Basic Materials	FTSE 100		Yes		0
IMPERIAL TOBACCO GROUP PLC	Consumer Goods	FTSE 100	Yes			0
INCHCAPE PLC	Consumer Services	FTSE 250	Yes			0
INFORMA PLC	Consumer Services	FTSE 250	Yes			0
ING GLOBAL REAL ESTATE TRUST SECURITIES LIMITED	Financials	FTSE All-Share				0
ING UK REAL ESTATE INCOME PLC	Financials	FTSE All-Share	Yes			0
INMARSAT PLC	Telecommunications	FTSE 250	Yes			0

Table 3 Company reporting in the FTSE All-Share – location of reporting and number of core environmental KPIs

Name	ICB Industry Sector	FTSE Index	OFR	Business Review	Both	Number of core KPIs disclosed in accordance with Government Guidelines – out of 3
INNOVATION GROUP PLC (THE)	Technology	FTSE All-Share	Yes			0
INSIGHT FOUNDATION PROPERTY TRUST LTD	Financials	FTSE 250				0
INTEC TELECOM SYSTEMS PLC	Technology	FTSE All-Share	Yes			0
INTERCONTINENTAL HOTELS GROUP PLC	Consumer Services	FTSE 100	Yes			0
INTERMEDIATE CAPITAL GROUP PLC	Financials	FTSE 250	Yes			0
INTERNATIONAL POWER PLC	Utilities	FTSE 100	Yes			0
INTERSERVE PLC	Industrials	FTSE 250	Yes	Yes	Yes	0
INTERTEK GROUP PLC	Industrials	FTSE 250	Yes			0
INVENSYS PLC	Industrials	FTSE 250		Yes		3
INVESTEC PLC	Financials	FTSE 250	Yes			0
IP GROUP PLC	Financials	FTSE All-Share	Yes			0
ISIS PROPERTY TRUST 2 LIMITED	Financials	FTSE All-Share	Yes			0
ISOFT GROUP PLC	Technology	FTSE 250				0
ISOTRON PLC	Health Care	FTSE All-Share		Yes		0
ITE GROUP PLC	Consumer Services	FTSE All-Share	Yes			0
ITV PLC	Consumer Services	FTSE 100		Yes		0
J. SAINSBURY PLC	Consumer Services	FTSE 100	Yes			0
JAMES FISHER AND SONS PLC	Industrials	FTSE All-Share	Yes			0
JARDINE LLOYD THOMPSON GROUP PLC	Financials	FTSE 250	Yes			0
JESSOPS PLC	Consumer Services	FTSE All-Share	Yes			1
JJB SPORTS PLC	Consumer Services	FTSE 250	Yes			0
JKX OIL AND GAS PLC	Oil & Gas	FTSE 250		Yes		0
JOHN MENZIES PLC	Industrials	FTSE All-Share	Yes	Yes	Yes	0
JOHN WOOD GROUP PLC	Oil & Gas	FTSE 250	Yes			0
JOHNSON MATTHEY PUBLIC LIMITED COMPANY	Basic Materials	FTSE 100	Yes			3
JOHNSON SERVICE GROUP PLC	Industrials	FTSE All-Share	Yes			0
JOHNSTON PRESS PLC	Consumer Services	FTSE 250		Yes		0
KAZAKHMYS PLC	Basic Materials	FTSE 100		Yes		3
KELDA GROUP PLC	Utilities	FTSE 100		Yes		0
KELLER GROUP PLC	Industrials	FTSE All-Share	Yes			0
KENSINGTON GROUP PLC	Financials	FTSE 250	Yes			0
KESA ELECTRICALS PLC	Consumer Services	FTSE 250	Yes			0
KIER GROUP PLC	Industrials	FTSE 250	Yes			0
KILN PLC	Financials	FTSE All-Share		Yes		0
KINGFISHER PLC	Consumer Services	FTSE 100	Yes			0
KINGSTON COMMUNICATIONS (HULL) PLC	Telecommunications	FTSE All-Share				0
LADBROKES PLC	Consumer Services	FTSE 100	Yes	Yes	Yes	0
LAIRD GROUP PUBLIC LIMITED COMPANY (THE)	Industrials	FTSE 250	Yes			0
LAND OF LEATHER HOLDINGS PLC	Consumer Services	FTSE All-Share		Yes		0
LAND SECURITIES GROUP PLC	Financials	FTSE 100	Yes			0
LATCHWAYS PLC	Industrials	FTSE All-Share	Yes			0
LAURA ASHLEY HOLDINGS PLC	Consumer Services	FTSE All-Share	Yes			0

Name	ICB Industry Sector	FTSE Index	OFR	Business Review	Both	Number of core KPIs disclosed in accordance with Government Guidelines – out of 3
LAVENDON GROUP PLC	Industrials	FTSE All-Share	Yes			0
LEGAL & GENERAL GROUP PLC	Financials	FTSE 100	Yes			0
LIBERTY INTERNATIONAL PLC	Financials	FTSE 100	Yes			2
LIONTRUST ASSET MANAGEMENT PLC	Financials	FTSE All-Share	Yes			0
LLOYDS TSB GROUP PLC	Financials	FTSE 100	Yes	Yes	Yes	1
LOGICACMG PLC	Technology	FTSE 250	Yes			0
LONDON & ASSOCIATED PROPERTIES PLC	Financials	FTSE All-Share	Yes			0
LONDON MERCHANT SECURITIES, PLC	Financials	FTSE 250	Yes			2
LONDON SCOTTISH BANK PLC	Financials	FTSE All-Share	Yes			0
LONDON STOCK EXCHANGE GROUP PLC	Financials	FTSE 250		Yes		0
LONDON STOCK EXCHANGE GROUP PLC	Financials	FTSE All-Share		Yes		0
LONMIN PLC	Basic Materials	FTSE 250	Yes			0
LOOKERS PLC	Consumer Services	FTSE All-Share	Yes			0
LOW & BONAR PLC	Industrials	FTSE All-Share	Yes			0
LUMINAR PLC	Consumer Services	FTSE 250	Yes	Yes	Yes	0
M.J. GLEESON GROUP PLC	Industrials	FTSE All-Share	Yes			0
MAN GROUP PLC	Financials	FTSE 100		Yes		0
MANAGEMENT CONSULTING GROUP PLC	Industrials	FTSE All-Share	Yes			0
MANGANESE BRONZE HOLDINGS PLC	Industrials	FTSE All-Share		Yes		0
MAPELEY LTD	Financials	FTSE 250	Yes	Yes	Yes	0
MARKS AND SPENCER GROUP PLC	Consumer Services	FTSE 100	Yes			0
MARSHALLS PLC	Industrials	FTSE 250	Yes			1
MARYLEBONE WARWICK BALFOUR GROUP PLC	Financials	FTSE All-Share	Yes			0
MCBRIDE PLC	Consumer Goods	FTSE All-Share		Yes		0
MCKAY SECURITIES PLC	Financials	FTSE All-Share	Yes			0
MEGGITT PLC	Industrials	FTSE 250	Yes	Yes	Yes	3
MELROSE	Industrials	FTSE All-Share	Yes	Yes	Yes	0
MELROSE RESOURCES PLC	Oil & Gas	FTSE All-Share	Yes			0
METALRAX GROUP PLC	Industrials	FTSE All-Share	Yes			0
MICHAEL PAGE INTERNATIONAL PLC	Industrials	FTSE 250	Yes			0
MICRO FOCUS INTERNATIONAL PLC	Technology	FTSE All-Share	Yes	Yes	Yes	0
MILLENNIUM & COPTHORNE HOTELS PLC	Consumer Services	FTSE 250		Yes		0
MINERVA PLC	Financials	FTSE 250		Yes		0
MISYS PLC	Technology	FTSE 250	Yes			0
MITCHELLS & BUTLERS PLC	Consumer Services	FTSE 250	Yes	Yes	Yes	0
MITIE GROUP PLC	Industrials	FTSE 250	Yes			1
MORGAN CRUCIBLE COMPANY PLC (THE)	Industrials	FTSE 250		Yes		0
MORGAN SINDALL PLC	Industrials	FTSE 250		Yes		2
MORSE PLC	Technology	FTSE All-Share	Yes			0
MOTHERCARE PLC	Consumer Services	FTSE All-Share	Yes	Yes	Yes	0
MOUCHEL PARKMAN PLC	Industrials	FTSE All-Share	Yes			0
MYTRAVEL GROUP PLC	Consumer Services	FTSE 250	Yes			0
NATIONAL EXPRESS GROUP PLC	Consumer Services	FTSE 250	Yes			0

Table 3 Company reporting in the FTSE All-Share – location of reporting and number of core environmental KPIs

Name	ICB Industry Sector	FTSE Index	OFR	Business Review	Both	Number of core KPIs disclosed in accordance with Government Guidelines – out of 3
NATIONAL GRID PLC	Utilities	FTSE 100	Yes	Yes	Yes	1
NESTOR HEALTHCARE GROUP PLC	Health Care	FTSE All-Share	Yes			0
NEXT PLC	Consumer Services	FTSE 100	Yes			0
NORD ANGLIA EDUCATION PLC	Consumer Services	FTSE All-Share	Yes			0
NORTHERN FOODS PLC	Consumer Goods	FTSE 250	Yes			3
NORTHERN ROCK PLC	Financials	FTSE 100	Yes	Yes	Yes	0
NORTHGATE INFORMATION SOLUTIONS PLC	Technology	FTSE 250	Yes			0
NORTHGATE PLC	Industrials	FTSE 250	Yes			0
NORTHUMBRIAN WATER GROUP	Utilities	FTSE 250		Yes		0
NOVAE GROUP PLC	Financials	FTSE All-Share	Yes			0
NSB RETAIL SYSTEMS PLC	Technology	FTSE All-Share	Yes			0
OFFICE2OFFICE PLC	Industrials	FTSE All-Share	Yes			0
OLD MUTUAL PLC	Financials	FTSE 100		Yes		0
OPD GROUP PLC	Industrials	FTSE All-Share	Yes			0
OPTOS PLC	Health Care	FTSE All-Share	Yes			0
OXFORD BIOMEDICA PLC	Health Care	FTSE All-Share		Yes		0
OXFORD INSTRUMENTS PLC	Industrials	FTSE All-Share	Yes			0
PACE MICRO TECHNOLOGY PLC	Consumer Goods	FTSE All-Share	Yes			1
PARAGON GROUP OF COMPANIES PLC (THE)	Financials	FTSE 250	Yes			0
PARTYGAMING PLC	Consumer Services	FTSE 100		Yes		0
PAYPOINT PLC	Industrials	FTSE All-Share	Yes			0
PEARSON PLC	Consumer Services	FTSE 100		Yes		0
PENDRAGON PLC	Consumer Services	FTSE 250	Yes	Yes	Yes	0
PENNON GROUP PLC	Utilities	FTSE 250		Yes		1
PERSIMMON PLC	Consumer Goods	FTSE 100	Yes	Yes	Yes	0
PETROFAC LIMITED	Oil & Gas	FTSE 250	Yes			0
PHOENIX IT	Technology	FTSE All-Share	Yes			0
PINEWOOD SHEPPERTON PLC	Consumer Services	FTSE All-Share	Yes			0
PLASMON PLC	Technology	FTSE All-Share	Yes			0
PREMIER FARNELL PLC	Industrials	FTSE 250	Yes			2
PREMIER FOODS PLC	Consumer Goods	FTSE 250	Yes	Yes	Yes	0
PREMIER OIL PLC	Oil & Gas	FTSE 250	Yes			0
PRIMARY HEALTH PROPERTIES PLC	Financials	FTSE All-Share	Yes			0
PROSTRAKAN GROUP PLC	Health Care	FTSE All-Share	Yes			0
PROTHERICS PLC	Health Care	FTSE All-Share		Yes		0
PROVIDENT FINANCIAL PLC	Financials	FTSE 250	Yes	Yes	Yes	0
PRUDENTIAL PLC	Financials	FTSE 100	Yes	Yes	Yes	0
PSION PLC	Technology	FTSE All-Share		Yes		0
PUNCH TAVERNS PLC	Consumer Services	FTSE 250	Yes	Yes	Yes	1
PURICORE PLC	Health Care	FTSE All-Share	Yes			0
PZ CUSSONS PLC	Consumer Goods	FTSE 250		Yes		0
QINETIQ GROUP	Industrials	FTSE 250	Yes			0

Name	ICB Industry Sector	FTSE Index	OFR	Business Review	Both	Number of core KPIs disclosed in accordance with Government Guidelines – out of 3
QUINTAIN ESTATES AND DEVELOPMENT PLC	Financials	FTSE 250	Yes			0
QXL RICARDO PLC	Consumer Services	FTSE All-Share	Yes			0
R.E.A. HOLDINGS PLC	Consumer Goods	FTSE All-Share	Yes			0
RANDGOLD RESOURCES LIMITED	Basic Materials	FTSE 250	Yes			0
RANK GROUP PLC (THE)	Consumer Services	FTSE 250	Yes			0
RATHBONE BROTHERS PLC	Financials	FTSE 250	Yes			0
RAYMARINE PLC	Industrials	FTSE All-Share	Yes			0
REAL ESTATE OPPORTUNITIES LIMITED	Financials	FTSE All-Share	Yes			0
RECKITT BENCKISER PLC	Consumer Goods	FTSE 100	Yes	Yes	Yes	0
REDROW PLC	Consumer Goods	FTSE 250	Yes			0
REED ELSEVIER PLC	Consumer Services	FTSE 100	Yes			0
REGENT INNS PLC	Consumer Services	FTSE All-Share	Yes	Yes	Yes	0
REGUS GROUP PLC	Industrials	FTSE 250	Yes			0
RENISHAW PLC	Industrials	FTSE 250	Yes			0
RENOVO GROUP PLC	Health Care	FTSE All-Share	Yes			0
RENSBURG PLC	Financials	FTSE All-Share	Yes			0
RENTOKIL INITIAL PLC	Industrials	FTSE 100	Yes			1
RESOLUTION PLC	Financials	FTSE 250	Yes			1
RESTAURANT GROUP PLC	Consumer Services	FTSE All-Share	Yes			0
REUTERS GROUP PLC	Consumer Services	FTSE 100	Yes	Yes	Yes	0
REXAM PLC	Industrials	FTSE 100		Yes		0
RHM PLC	Consumer Goods	FTSE 250	Yes			0
RICARDO PLC	Industrials	FTSE All-Share		Yes		0
RIGHTMOVE PLC	Consumer Services	FTSE All-Share	Yes	Yes	Yes	0
RIO TINTO PLC	Basic Materials	FTSE 100	Yes			0
RM PLC	Technology	FTSE All-Share	Yes	Yes	Yes	2
ROBERT WALTERS PLC	Industrials	FTSE All-Share	Yes			0
ROBERT WISEMAN DAIRIES PLC	Consumer Goods	FTSE All-Share		Yes		0
ROK PLC	Industrials	FTSE All-Share		Yes		0
ROLLS-ROYCE GROUP PLC	Industrials	FTSE 100	Yes			0
ROTORK PLC	Industrials	FTSE 250		Yes		0
ROYAL & SUN ALLIANCE INSURANCE GROUP PLC	Financials	FTSE 100	Yes	Yes	Yes	3
ROYAL BANK OF SCOTLAND GROUP PLC (THE)	Financials	FTSE 100	Yes			0
ROYAL DUTCH SHELL PLC	Oil & Gas	FTSE 100	Yes	Yes	Yes	1
ROYALBLUE GROUP PLC	Technology	FTSE All-Share	Yes			0
RPC GROUP PLC	Industrials	FTSE All-Share				0
RPS GROUP PLC	Industrials	FTSE All-Share	Yes			0
SABMILLER PLC	Consumer Goods	FTSE 100		Yes		0
SAGE GROUP PLC (THE)	Technology	FTSE 100	Yes			0
SCHRODERS PLC	Financials	FTSE 100		Yes		0
SCI ENTERTAINMENT GROUP PLC	Technology	FTSE 250	Yes			0
SCOTT WILSON GROUP PLC	Industrials	FTSE All-Share	Yes			0

Table 3 Company reporting in the FTSE All-Share – location of reporting and number of core environmental KPIs

Name	ICB Industry Sector	FTSE Index	OFR	Business Review	Both	Number of core KPIs disclosed in accordance with Government Guidelines – out of 3
SCOTTISH & NEWCASTLE PLC	Consumer Goods	FTSE 100	Yes			0
SCOTTISH & SOUTHERN	Utilities	FTSE 100				3
SCOTTISH POWER PLC	Utilities	FTSE 100		Yes		1
SCS UPHOLSTERY PLC	Consumer Services	FTSE All-Share		Yes		0
SDL PLC	Technology	FTSE All-Share	Yes			0
SENIOR PLC	Industrials	FTSE All-Share	Yes			3
SERCO GROUP PLC	Industrials	FTSE 250		Yes		0
SEVERFIELD-ROWEN PLC	Industrials	FTSE All-Share	Yes			0
SEVERN TRENT PLC	Utilities	FTSE 100	Yes			1
SHAFTESBURY PLC	Financials	FTSE 250		Yes		0
SHANKS GROUP PLC	Industrials	FTSE 250		Yes		0
SHIRE PHARMACEUTICALS GROUP PLC	Health Care	FTSE 100	Yes			0
SHORE CAPITAL GROUP PLC	Financials	FTSE All-Share	Yes			0
SIG PLC	Industrials	FTSE 250		Yes		0
SIGNET GROUP PLC	Consumer Services	FTSE 250	Yes			0
SKYEPHARMA PLC	Health Care	FTSE All-Share	Yes			0
SLOUGH ESTATES, PLC	Financials	FTSE 250	Yes			0
SMG PLC	Consumer Services	FTSE All-Share	Yes			0
SMITH & NEPHEW PLC	Health Care	FTSE 100	Yes			3
SMITHS GROUP PLC	Industrials	FTSE 100	Yes			0
SMITHS NEWS PLC	Industrials	FTSE All-Share	Yes	Yes	Yes	0
SOCO INTERNATIONAL PLC	Oil & Gas	FTSE 250	Yes			0
SONDEX PLC	Oil & Gas	FTSE All-Share	Yes			0
SOUTHERN CROSS HEALTHCARE GROUP PLC	Health Care	FTSE All-Share	Yes	Yes	Yes	0
SPECTRIS PLC	Industrials	FTSE 250		Yes		0
SPEEDY HIRE PLC	Industrials	FTSE All-Share	Yes			0
SPIRAX-SARCO ENGINEERING PLC	Industrials	FTSE 250		Yes		0
SPIRENT COMMUNICATIONS PLC	Technology	FTSE 250		Yes		0
SPRING GROUP PLC	Industrials	FTSE All-Share	Yes			0
SSL INTERNATIONAL PLC	Consumer Goods	FTSE 250	Yes			0
ST MODWEN PROPERTIES PLC	Financials	FTSE 250		Yes		1
ST. IVES PLC	Industrials	FTSE All-Share	Yes	Yes	Yes	0
ST. JAMES'S PLACE PLC	Financials	FTSE 250	Yes			0
STAGECOACH GROUP PLC	Consumer Services	FTSE 250	Yes			0
STANDARD CHARTERED PLC	Financials	FTSE 100		Yes		0
STANDARD LIFE PLC	Financials	FTSE 100		Yes		0
STHREE PLC	Industrials	FTSE All-Share	Yes			0
STYLES & WOOD GROUP	Industrials	FTSE All-Share	Yes			0
SURFCONTROL PLC	Technology	FTSE All-Share		Yes		0
T. CLARKE PLC	Industrials	FTSE All-Share	Yes			1
TATE & LYLE PLC	Consumer Goods	FTSE 100	Yes			0
TAYLOR NELSON SOFRES PLC	Consumer Services	FTSE 250		Yes		0
TAYLOR WOODROW PLC	Consumer Goods	FTSE 250	Yes			1

Name	ICB Industry Sector	FTSE Index	OFR	Business Review	Both	Number of core KPIs disclosed in accordance with Government Guidelines – out of 3
TDG PLC	Industrials	FTSE All-Share		Yes		0
TED BAKER PLC	Consumer Services	FTSE All-Share	Yes			0
TEESLAND ADVANTAGE PROPERTY LIMITED	Financials	FTSE All-Share	Yes			0
TELECOM PLUS PLC	Telecommunications	FTSE All-Share	Yes	Yes	Yes	0
TELENT PLC	Technology	FTSE 250	Yes			0
TESCO PLC	Consumer Services	FTSE 100	Yes			0
THE JOHN DAVID GROUP PLC	Consumer Services	FTSE All-Share	Yes			0
THORNTONS PLC	Consumer Services	FTSE All-Share	Yes			0
THUS GROUP PLC	Telecommunications	FTSE All-Share				0
TOMKINS PLC	Industrials	FTSE 250	Yes			0
TOPPS TILES PLC	Consumer Services	FTSE 250		Yes		0
TOWN CENTRE SECURITIES PLC	Financials	FTSE All-Share	Yes			0
TR PROPERTY INVESTMENT TRUST PLC	Financials	FTSE 250	Yes			0
TRAVIS PERKINS PLC	Industrials	FTSE 250	Yes			2
TRIBAL GROUP PLC	Industrials	FTSE All-Share		Yes		0
TRINITY MIRROR PLC	Consumer Services	FTSE 250		Yes		3
TT ELECTRONICS PLC	Industrials	FTSE All-Share		Yes		0
TULLETT PREBON PLC	Financials	FTSE 250	Yes			0
TULLOW OIL PLC	Oil & Gas	FTSE 250		Yes		0
UK COAL PLC	Basic Materials	FTSE All-Share	Yes			0
ULSTER TELEVISION PLC	Consumer Services	FTSE All-Share		Yes		0
ULTRA ELECTRONICS HOLDINGS PLC	Industrials	FTSE 250	Yes			0
UMBRO PLC	Consumer Goods	FTSE All-Share		Yes		1
UMECO PLC	Industrials	FTSE All-Share	Yes			0
UNILEVER PLC	Consumer Goods	FTSE 100	Yes			0
UNIQ PLC	Consumer Goods	FTSE All-Share	Yes			0
UNITE GROUP PLC (THE)	Financials	FTSE 250		Yes		0
UNITED BUSINESS MEDIA PLC	Consumer Services	FTSE 250	Yes			0
UNITED UTILITIES PLC	Utilities	FTSE 100	Yes			0
VANCO PLC	Telecommunications	FTSE All-Share	Yes			0
VEDANTA RESOURCES	Basic Materials	FTSE 250		Yes		0
VENTURE PRODUCTION PLC	Oil & Gas	FTSE 250				0
VERNALIS PLC	Health Care	FTSE All-Share	Yes			0
VIRIDIAN GROUP PLC	Utilities	FTSE 250	Yes			1
VISLINK PLC	Technology	FTSE All-Share		Yes		0
VITEC GROUP PLC	Industrials	FTSE All-Share		Yes		0
VODAFONE GROUP PUBLIC LIMITED COMPANY	Telecommunications	FTSE 100		Yes		1
VP PLC	Industrials	FTSE All-Share		Yes		0
VT GROUP PLC	Industrials	FTSE 250	Yes			0
W H SMITH PLC	Consumer Services	FTSE 250		Yes		1
WAGON PLC	Consumer Goods	FTSE All-Share	Yes			0
WARNER ESTATE HOLDINGS PLC	Financials	FTSE All-Share	Yes			0
WEIR GROUP PLC (THE)	Industrials	FTSE 250	Yes			0

Table 3 Company reporting in the FTSE All-Share – location of reporting and number of core environmental KPIs

Name	ICB Industry Sector	FTSE Index	OFR	Business Review	Both	Number of core KPIs disclosed in accordance with Government Guidelines – out of 3
WESTBURY PROPERTY FUND LIMITED	Financials	FTSE All-Share				0
WETHERSPOON (J.D.) PLC	Consumer Services	FTSE 250	Yes			1
WHATMAN PUBLIC LIMITED COMPANY	Health Care	FTSE All-Share	Yes			0
WHITBREAD PLC	Consumer Services	FTSE 250	Yes			0
WHITE YOUNG GREEN PLC	Industrials	FTSE All-Share		Yes		0
WILLIAM HILL PLC	Consumer Services	FTSE 250	Yes			0
WILMINGTON GROUP PLC	Consumer Services	FTSE All-Share		Yes		0
WINCANTON PLC	Industrials	FTSE 250		Yes		0
WM. MORRISON SUPERMT	Consumer Services	FTSE 100	Yes			2
WOLFSON MICROELECTRONICS PLC	Technology	FTSE All-Share	Yes			0
WOLSELEY PLC	Industrials	FTSE 100	Yes			0
WOLVERHAMPTON PLC	Consumer Services	FTSE 250	Yes			1
WOOLWORTHS GROUP PLC	Consumer Services	FTSE 250	Yes			0
WORKSPACE GROUP PLC	Financials	FTSE 250	Yes			0
WPP GROUP PUBLIC LIMITED COMPANY	Consumer Services	FTSE 100	Yes			1
WS ATKINS PLC	Industrials	FTSE 250	Yes			0
WSP GROUP PLC	Industrials	FTSE All-Share	Yes			0
XAAR PLC	Industrials	FTSE All-Share	Yes			0
XANSA PLC	Technology	FTSE All-Share		Yes		0
XSTRATA PLC	Basic Materials	FTSE 100	Yes	Yes	Yes	3
YELL GROUP PLC	Consumer Services	FTSE 100	Yes	Yes	Yes	0
YULE CATTO & CO. PLC	Basic Materials	FTSE 250	Yes	Yes	Yes	0

References

1. Excluding Investment Trusts.
2. Reporting Guidelines for UK Business are available at <http://www.defra.gov.uk/environment/business/envrp/guidelines.htm>
3. Available at <http://www.environment-agency.gov.uk/environmentalfinance>
4. Department of Trade and Industry, *Guidance on the changes to the Directors' Report requirements in the Companies Act 1985* (April and December 2005)
5. Statutory Instrument 2005 No 1011 The Companies Act 1985 (Operating and Financial Review and Directors' Report etc) Regulations 2005. Available at <http://www.opsi.gov.uk/si2005/20051011.htm> The Companies Act 1985 (Operating and Financial Review) (Repeal) Regulations 2005 (SI2005/3442) came into force on 12 January 2006. These removed the legal requirement for listed companies to prepare an OFR.
6. Available at <http://www.ifac.org/store/>
7. Accounting and Financial Reporting for Environmental Costs and Liabilities, United Nations Conference on Trade and Development (1999), p 26.
8. *Financial Reporting of Environmental Liabilities after Sarbanes-Oxley*, C. Gregory Rogers, Wiley, 2005, at p.260.
9. See *Environmental Liabilities: EPA Should Do More to Ensure That Liable Parties Meet Their Cleanup Obligations*, U.S. Government Accountability Office, GAO-05-658, August 17, 2005; *Environmentally Bankrupt?* Marie Leone, CFO.com, September 08, 2005; and *A looming environmental Enron?*, by C. Gregory Rogers, Environmental Finance, January 2006.
10. See *The Impact of FIN 47 (So Far)*, Corporate Executive Board Controllers' Leadership Roundtable, March 2006. See also *Accounting for Asset Retirement Obligations: Understanding the Financial Statement Impact*, by Robert E. Guinn, Richard G. Schroeder, and Suzanne K. Sevin.
11. See http://www.fin47.com/control_deficiencies.htm
12. *Carbon Costs* is available at <http://www.aldersgategroup.org.uk/reports>, May 2007.
13. IFRIC 5 – Rights to Interest Arising from Decommissioning, Restoration and Environmental Funds, Issued January 2004.
14. Financial Times, Monday 21st May 2007.
15. Executives of ConAgra settled for fines of around half a million dollars with the SEC, pending civil action related to misleading environmental reporting See *Recent SEC Enforcement of Environmental Financial Disclosure*, Land Air and Water News, Jenner & Block, July 2007.

Acknowledgements

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