

IIGCC response to Defra consultation on the draft regulations for quoted companies in the UK to report greenhouse gas (GHG) emissions

The Institutional Investors Group on Climate Change (IIGCC) welcomes the opportunity to respond to the consultation paper issued by Defra following the announcement by the UK government that quoted companies will be required to report their greenhouse gas emissions in their directors' report.

The IIGCC, represents around 80 investors, with EUR7.5 trillion in assets. We are concerned about climate change because of the potentially major negative impacts it may have on the economic systems in which we operate in and, in turn, on the assets in which we invest.

We welcome this decision to introduce mandatory GHG reporting as a significant step in improving the level of corporate environmental governance and disclosure on climate change. We engage with the companies in which we invest to encourage them to minimise their exposure to risks associated with climate change and maximise any opportunities. We actively support a number of voluntary carbon reporting mechanisms, and work closely with both the Carbon Disclosure Project and the Global Reporting Initiative to develop carbon disclosure frameworks for key sectors.

Whilst we recognise that not all companies undertake emission intensive activities, measuring and reporting direct GHG emissions in the annual report and accounts is a first step that companies should take. It should form part of their wider strategy and processes for managing climate change risks and opportunities and should be integrated into their business strategy. We welcome the fact that the requirement goes beyond simple carbon dioxide reporting and would like to highlight our recently issued draft on methane leakage in the extractive industries sector as an example of some of the non-carbon related climate change risks that sectors face.

At some level climate change will affect all companies, it is therefore important that companies engage in dialogue with investors and other stakeholders regarding the governance they have in place to face the challenges a low carbon economy will present. The introduction of mandatory GHG reporting would form part of a set of long-term climate change and energy policies that will not only decarbonise the economy, but also yield substantial economic benefits. As investors we need to compare performance between companies. Therefore we would recommend that guidance on emissions intensity ratios promote standardisation by advising companies to use intensity metrics that are relevant to their sector and peers within it.

With regard to the specific question on the timing of the introduction of the legislation, the IIGCC has no strong opinion. The relatively short lead in time is likely to be challenging for some companies, however our expectations of companies include the preparation and reporting of GHG emissions inventories, including both direct (scope 1) and indirect (scope 2) emissions. There doesn't appear to be an obvious reason to move from the planned timetable as published. A formally structured review period is a welcome addition to the regulations, and will ensure that any necessary amendments can be made.

IIGCC Membership October 2012

Amundi
AP1 (First Swedish National Pension Fund)
AP2 (Second Swedish National Pension Fund)
AP3 (Third Swedish National Pension Fund)
AP4 (Fourth Swedish National Pension Fund)
APG Asset Management
ATP
Aviva Investors
AXA Real Estate
Baptist Union of Great Britain
BBC Pension Trust
Bedfordshire Pension Fund
BlackRock
BMS World Mission
BNP Paribas Investment Partners
BT Pension Scheme
CB Richard Ellis
CCLA Investment Management
Central Finance Board of the Methodist Church
CF Partners (UK) LLP
Church Commissioners for England
Church of Sweden
Climate Change Capital
Co-operative Asset Management
Corporation of London Pension Fund
Dragon Capital Group Ltd.
Earth Capital Partners
Environment Agency Pension Fund
Environmental Technologies Fund
Ethos Foundation
F&C Management Ltd
Five Oceans Asset Management
Generation Investment Management LLP
Greater Manchester Pension Fund
Grosvenor Fund Management
Henderson Global Investors
Hermes
Hermes GPE LLP
HgCapital
HSBC Investments
Hudson Clean Energy Partners
Impax Asset Management
Insight Investment
Joseph Rowntree Charitable Trust
Kent County Council Pension Fund
Kleinwort Benson Investors
Legal & General Investment Management
London Borough of Hounslow Pension Fund
London Borough of Islington Pension Fund
London Borough of Newham Pension Fund
London Pensions Fund Authority
Low Carbon Investors Pte Ltd
Merseyside Pension Fund
Mercer Global Investments Europe Limited
Mn Services
Northern Trust
Nordea Investment Funds
Osmosis Investment Management
PGGM Investments
PKA
Platina Partners
PRUPIM
Railpen Investments
Robeco
Sampension
Sarasin & Partners LLP
Scottish Widows Investment Partnership
South Yorkshire Pensions Authority
Temporis Capital
The Church of England Pensions Board
The Church in Wales
The Roman Catholic Diocese of Plymouth
The Roman Catholic Diocese of Portsmouth
The Roman Catholic Diocese of Salford
United Reformed Church
Universities Superannuation Scheme
West Midlands Metropolitan Authorities Pension Fund
West Yorkshire Pension Fund
William Leech Charitable Trust