



SCOPE 3 EMISSIONS IN THE UK REPORTING LANDSCAPE

Issued 14 December 2023

ICAEW welcomes the opportunity to comment on 'Scope 3 Emissions in the UK Reporting Landscape', published by DESNZ on 19 October 2023, a copy of which is available from this [link](#).

For questions on this response please contact ICAEW's Corporate Reporting Faculty at frf@icaew.com quoting REP 115/23.

We are pleased that the Department for Energy Security and Net Zero (DESNZ) is seeking views about the existing and potential reporting requirements for Scope 3 information. We recognise the significant demand from investors and other stakeholders for information about Scope 3 emissions and therefore support efforts to provide better information in this area.

The IFRS Sustainability Disclosure Standard IFRS S2 *Climate-related Disclosures*, includes Scope 3 reporting requirements. We strongly encourage the UK Government to endorse IFRS S2 for use in the UK as we believe these requirements achieve a balance between decision-useful information for investors that is practical and proportionate for entities to produce. We also encourage the Government to go on to shape an emissions reporting system that starts with the requirements embedded in IFRS S2 at the top and is complemented by proportionate but aligned requirements for other entities in the reporting system. In our view, the Streamlined Energy and Carbon Reporting (SECR) requirements now need to be updated (or entirely replaced) to take account of the changing reporting landscape in a way that complements IFRS S2 reporting requirements rather than duplicates or overlaps.

There are unavoidable challenges with data quality and availability which we expect to improve over time, especially with mandatory Scope 3 reporting requirements to drive the development of enhanced methodologies and best practice. However, there are some important steps we think the Government should take to begin to overcome these issues now, such as provision of a central emissions data portal, expansion of UK emissions factors and influencing the development of global guidance and methodologies. In our view, we cannot and should not wait for perfect data to be available to start reporting Scope 3 information.

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KEY POINTS

THE IMPORTANCE OF SCOPE 3 REPORTING

1. We are pleased that the Department for Energy Security and Net Zero (DESNZ) is seeking views about the existing and potential reporting requirements for Scope 3 information. We hope that the input received will be used, together with the feedback already provided in response to the UK Government's [Non-Financial Reporting Review](#) and the SDTAC's [Call for Evidence on the UK Endorsement of IFRS S1 and IFRS S2](#), to shape the future of the UK's sustainability reporting framework.
2. Measuring and reporting Scope 3 emissions is not without its shortcomings, including a high dependence on estimation, the scope for double-counting and the potential for significant error. This is a complex issue that we plan to return to in due course. In the meantime, we recognise the significant demand from investors and other stakeholders for information about Scope 3 emissions and therefore support current efforts to provide better information in this area. Scope 3 emissions are often significantly larger than Scope 1 and 2 emissions and so form a material proportion of an entity's carbon footprint.
3. Scope 3 emissions are largely beyond an entity's direct control. However, they are produced as a consequence of the entity's activities. Understanding an entity's exposure to all scopes of emissions is important information about the overall risk faced by a business in the transition to net zero. This need for information must be balanced with a widespread understanding that entities are unlikely to have all the data needed to report a complete and precise package of Scope 3 emissions disclosures. There are clearly significant benefits to be gained from increased Scope 3 reporting requirements, but we would emphasise the need for a comprehensive cost-benefit assessment to be undertaken in this context.

PURPOSE IS CRITICAL

4. Reporting Scope 3 emissions information has the potential to serve a multitude of different purposes - and rightly so. The way in which Scope 3 information is reported may need to vary depending on the objective. Regulation should be purpose-led. That is to say, once the purpose has been properly established, decisions around reporting requirements, location of reporting and scope of entity required to apply the requirements are far more straightforward.
5. We have identified three separate but interrelated purposes to (or objectives of) Scope 3 reporting. These could equally be considered as the main benefits of Scope 3 reporting:
 - a. **Purpose 1:** to aid investment decisions and hence allow investors to allocate capital to those businesses that are managing their carbon dependencies effectively.
 - b. **Purpose 2:** to encourage behavioural changes within businesses such that the business strategy incorporates targets to reduce overall emissions.
 - c. **Purpose 3:** to provide government, investors, lenders, insurers, others in the value chain, analysts and other data providers with the information they need to inform their own decision making and for compliance or data collection purposes.
6. Different purposes may require information with different characteristics. For example, purpose 1 above is likely to require material information, whereas purpose 3 is likely to need complete information. It might be that the purpose of reporting Scope 3 information is a combination of all three of the above and we explore how reporting requirements could be used in different ways to meet all three of these objectives in paragraphs 55-68 below.

SCOPE 3 REPORTING IN ISSB STANDARDS

7. Our recent [response to the SDTAC](#) explained that we believe the reporting requirements contained within IFRS S2 are the right solution for the UK and therefore should be endorsed for use. In particular, we think the IFRS S2 reporting requirements related to Scope 3 emissions will:
 - a. provide a more complete picture of the entity's exposure to transition risks;
 - b. encourage use of a consistent methodology; and
 - c. bring greater transparency to the way in which the information is calculated including inputs and assumptions used.
8. We believe that the Scope 3 disclosure requirements in IFRS S2 align well with purpose 1 above. The International Sustainability Standards Board (ISSB) Standards are designed to meet the needs of investors and other providers of capital and are consequently subject to a materiality test – we support this approach. Given the role that materiality plays in ensuring companies are required to report only information when it is useful to investment decisions, we think that IFRS S2 provides a proportionate basis for implementing Scope 3 requirements.
9. We hope that the UK Government will shape an emissions reporting system that starts with the requirements embedded in IFRS S2 at the top and are complemented by proportionate but aligned requirements for other entities in the reporting system.
10. The ISSB considered carefully the feedback received from the exposure draft of IFRS S2 and significantly improved the reporting requirements in this area. We were happy to see the inclusion of transition and other reliefs and guidance around the Scope 3 reporting requirements.
11. The proportionality provisions included in IFRS S2 connected to the Scope 3 disclosure requirements are appropriate and mean that the requirements are more scalable and accessible to a wider range of entities. The transition relief included allows entities additional time to deal with certain data challenges. We also support the sensible relief included to address challenges associated with data from entities in the value chain that use different reporting periods.

THE FUTURE OF SECR

12. We believe the GHG reporting requirements introduced for quoted companies in 2013 have served a purpose over the last 10 years. As a direct result of the requirements, energy and carbon reporting has made its way up the board agenda of quoted companies and been given increased attention. We are not convinced that SECR (for unquoted companies) has achieved its stated objectives, particularly the provision of a consistent measurement and disclosure approach. In our view, the SECR requirements now need to be updated (or entirely replaced) to take account of the changing reporting landscape in a way that complements the ISSB reporting requirements rather than duplicates or overlaps.
13. The SECR information is reported in companies' annual reports regardless of a materiality assessment and so can result in the inclusion of immaterial information. Our strong preference would be that only material emissions information is included in the annual report. To the extent that there is a policy desire for reporting emissions information beyond material information, this should be reported elsewhere – for example, on the company website or via a central government portal.

DATA COLLECTION CHALLENGES

14. There are unavoidable challenges with data quality and availability which extend to issues arising around double counting, reliability of reporting, barriers to provision of assurance, reliance on estimates and modelling and so on. The challenges in reporting precise Scope 3 emissions mean there would be diminishing returns and increased costs from regulations that impose requirements that are more prescriptive than IFRS S2.
15. Mandatory Scope 3 reporting requirements for those at the larger/public interest end of the market will help create the right environment for driving forward development of consistent methodologies and consequently enhance data quality and comparability. We also think that many of the issues around data quality and consistency will improve over time, but there are some important steps Government should take to begin to overcome these issues today. We provide some considerations and recommendations regarding improvements to data in paragraphs 41-51 below.

DETAILED POINTS

Materiality approach for Scope 3 reporting

16. All of the requirements in IFRS S2 (including those related to Scope 3 emissions) are subject to an assessment of materiality. That is, entities would only be required to provide information about Scope 3 emissions if this information is expected to impact an assessment of the entity's prospects sufficiently to influence an investor's investment decisions. Additionally, entities would only be required to provide information about individual Scope 3 categories that are relevant in their circumstances.
17. We wholeheartedly agree with and support the ISSB's approach to materiality and believe that it is appropriate for all annual report reporting requirements. To reiterate an established ICAEW view - we believe that the purpose of the annual report is to provide material information about a reporting entity that is useful to existing and potential investors, creditors and other lenders in making decisions relating to the provision of resources to the entity. Information required to be disclosed for any other purpose should, in our view, be outside of the annual report.
18. Given the role that materiality plays in ensuring companies only report information when it is useful to investment decisions, we think that IFRS S2 provides a proportionate basis for implementing Scope 3 requirements (which other mechanisms might not).
19. However, we recognise that companies will need to apply a significant amount of judgement when undertaking their materiality assessment. They will also need confidence that regulatory monitoring of practice will be consistent with the requirements in the standard. To support reporters to make better, more consistent materiality judgements and to support regulators monitor this appropriately, we suggest educational guidance is produced. Our strong preference would be for any educational guidance to be issued by the ISSB directly so that it can be applied in a globally consistent way. We therefore encourage the UK Government to influence this where possible.
20. It is unlikely that the information disclosed under IFRS S2 will meet everyone's information needs – it is not designed to. So, for example, we understand that many investors need to collect information about an investment entity's Scope 3 emissions for the purposes of their own reporting compliance. They may require more detailed information than companies might provide under IFRS S2. However, meeting this need would potentially add to a companies' reporting burden and so any regulations introduced to meet information needs

beyond that provided by IFRS S2 should be the subject of a critical cost-benefit assessment. We discuss this further in paragraphs 52-54.

Transparent disclosures

21. We are particularly supportive of the requirements in IFRS S2 that ask entities to disclose the approach they use to measure their greenhouse gas emissions (para 23 (iii)). We believe that, in order for Scope 3 disclosures to be useful to any user, the information needs to be given appropriate context, including the inputs and assumptions used and changes in approach from previous reporting periods. Disclosures that are limited to stating compliance with the GHG Protocol are not sufficient. We think that entities need to be encouraged to be as transparent as possible with the disclosures related to methodology.
22. We think that transparent disclosures will be key to improving the overall quality and consistency of Scope 3 information over time. Transparency will support a market-led approach to improvement because companies will be able to learn best practice and build on steps that others have taken (and disclosed).
23. In this regard, a potential focus area for enforcement and regulatory oversight could usefully be the quality and transparency of the disclosures of:
 - a. measurement methodology;
 - b. estimation methodology;
 - c. key data limitations;
 - d. changes to inputs and assumptions from one reporting period to the next, with supporting explanations.

Use of the GHG protocol

Support for GHG protocol

24. We observe that there is extensive use of the GHG Protocol in the UK, and we are not aware of any other methodology applied more widely. The Basis for Conclusions in IFRS S2 states that the GHG Protocol is the most commonly used standard for measuring GHG emissions. We support its use in this context and believe it would be appropriate to encourage (if not mandate) continued use of this measurement methodology. In order to promote consistent and comparable reporting of emissions data, we think it is important that the underlying measurement methodology is also consistent.
25. Many stakeholders (including businesses, advisors, assurance providers) have invested a lot of time to become familiar with and apply the GHG Protocol, which is not an insignificant undertaking. We would struggle to support a requirement that uses an alternative methodology unless it could be sufficiently justified, as this would have the potential to add more weight to the reporting burdens felt by many and would run counter to the need for a global baseline.
26. The GHG Protocol has the potential to provide the common foundation for all emissions reporting requirements such that, whether an entity is subject to ISSB standards or other UK requirements, the underlying measurement methodology is consistent throughout.
27. We recognise that the GHG Protocol has its limitations, which may warrant additional guidance to help entities with the practical challenges of implementation. However, any guidance that is not UK specific would be best developed by a body with global reach such as the ISSB or the GHG Protocol themselves to allow global consistency. We encourage the UK Government to seek to influence such activities.

UK considerations

28. We understand that for UK legislative reasons, it might be challenging to mandate use of the GHG Protocol at this stage. If this is the case, we would suggest that the UK Government strongly encourage its use until such time as mandatory application is possible. It would also be useful to set out a timeline for when this can be achieved.
29. IFRS S2 requires reporters to measure their greenhouse gas emissions in accordance with the Greenhouse Gas Protocol unless required by a jurisdictional authority or an exchange on which the entity is listed to use a different method for measuring its GHG emissions. Specifically, the 2004 version is referenced. We understand that there are plans underway for the GHG Protocol to be updated following various due process steps. In light of this, we encourage DESNZ to be actively engaged in this process in order to help influence the outcome for the benefit of UK reporters and stakeholders.

SECR requirements**General reflections**

30. Quoted companies have been required to report a certain level of emissions information since 2013. The reporting environment a decade ago was very different to the reporting environment today and therefore, while it is useful to reflect on the relative success of the 2013 requirements and the subsequent SECR regime introduced in 2019, we are now in a far more advanced reporting landscape and so the reporting objectives need to be updated to match.
31. We believe the emissions reporting requirements have served a valid purpose over the last 10 years. As a direct result of the requirements, energy and carbon reporting has made its way up the board agenda and been given increased attention within companies. The call for evidence states that SECR aims to improve incentives for businesses to reduce their energy consumption and emissions and to enable them to be held to account. We think the extent to which this has been achieved varies by company, and therefore it is difficult to draw a firm conclusion.
32. The call for evidence also states that SECR aims to provide a consistent approach for all quoted and large unquoted companies and LLPs to measure energy and emissions and disclose the information to a wide range of stakeholders. Again, we are not convinced this aim has been achieved. There is significant variation in methodologies used by entities reporting under SECR, as well as different reporting boundaries applied and unexplained year on year changes to both of these, which means the reporting output is anything but consistent.
33. Nevertheless, the SECR requirements have enabled companies to start the journey towards more comprehensive emissions reporting. Entities that will ultimately need to report against IFRS S1 and IFRS S2 are better equipped than reporters in other jurisdictions that have not been required to report similar information.

Unsatisfactory elements of the SECR requirements

34. We have never supported the requirement to report immaterial information in the annual report. The SECR information is reported in companies' annual reports regardless of a materiality assessment and so often results in the inclusion of immaterial information. Our strong preference would be that only material emissions information is included in the annual report. To the extent that there is a policy desire for reporting emissions information beyond material information, this should be reported elsewhere – for example, on the company website or via a central government portal.

35. One major criticism of the regime is that the requirements for unquoted companies and LLPs to report on their UK emissions only, has resulted in unhelpful (sometimes meaningless) information being disclosed. Many unquoted companies and LLPs have substantial overseas operations and complex global supply chains for which the disclosure of emissions may be omitted under the regulations, not providing the full picture. We think for emissions information to be useful, it should be based on the material global emissions of an entity.

The future of SECR

36. Companies have invested time and resources to meet the SECR requirements and so we would not want to let that progress go to waste. However, in our view, the SECR requirements need to either be updated to take account of the changing reporting landscape, or they need to be replaced with entirely new requirements.
37. If SECR requirements are to be retained, the UK Government needs to seek improvements that will ensure the requirements meet the stated objectives. Aligning the requirements with IFRS S2 would be a good place to start.
38. In our view, the IFRS S2 requirements are the right solution for UK reporters – particularly at the larger end of the market - and should be made available for use as soon as is practicable. This should be coupled with proportionate requirements for other companies which are consistent with the IFRS S2 methodology to facilitate comparable, understandable reporting throughout the value chain. It does not make sense for SECR to be updated in a way that duplicates or overlaps with the IFRS S2 emissions reporting requirements.
39. Instead, the UK government should seek to develop SECR requirements to complement the IFRS S2 requirements. We would suggest one or both of the following initiatives:
- a. **IFRS S2 ‘light’:** Develop (or influence the ISSB to develop) a set of requirements that align with the IFRS S2 requirements (and therefore clearly subject to materiality), but with an added layer of proportionality. This could be that certain disclosures become optional or are removed completely. The scope of entities required to apply such requirements would need to be properly explored to ensure a proportionate solution that is appropriate for the UK.
 - b. **Revised SECR data requirements:** If the UK Government concludes that the benefits of requiring disclosure of emissions information regardless of a materiality assessment outweigh the costs, then we think this information should be provided outside of the annual report (for example, on a company’s website and/or into a central emissions portal). This type of emissions reporting would be required for a much broader scope of entity, albeit with a phased implementation. To help with comparability and to reduce reporting burdens, the measurement methodology for these data requirements should be aligned with IFRS S2.
40. The IFRS S2 ‘light’ idea would adequately serve purpose 1 identified in paragraph 5 above, whereas the SECR data suggestion above would seek to serve purpose 3. The SECR data initiative suggested above would automatically lead to duplicative reporting if IFRS S2 is also mandated for entities. This is not ideal, but the reason behind that is that the data is being reported for a different purpose.

Data quality and availability

Data issues

41. In order for companies to report Scope 3 information, they must rely entirely on information that is not produced by the company itself. The call for evidence document sets out many of

the issues associated with this, including data availability throughout the value chain, reliability of secondary data and the use of estimates.

42. In our view, we cannot and should not wait for perfect data to be available to start reporting Scope 3 information. Maintaining and increasing emissions reporting requirements are likely to help accelerate improvements in data quality. However, in order for users to understand the context of emissions disclosures, companies must be encouraged to be transparent about the reliability, completeness and limitations of the information presented.

The double counting complication

43. It is possible that two or more entities in the same value chain, may account for the same emission within its reported Scope 3 figure – for example, the emissions from the delivery of a product from entity A to entity B would count as Scope 3 emissions for both entities (downstream for entity A and upstream for entity B). This would only result in ‘double counting’ in situations whereby Scope 3 emissions are aggregated.
44. Such double counting may arise:
- a. when an entity has to report their category 15 financed emissions; or
 - b. when external stakeholders collect and aggregate Scope 3 information from multiple entities; or
 - c. if an entity claims ownership for GHG reductions that they may only be partially responsible for.
45. The double counting described above is an inherent part of Scope 3 emissions reporting and is far from ideal. It must be dealt with through adequate and transparent disclosures that explain and acknowledge any potential double counting within the value chain.

Central portal

46. Organisations up and down the value chain rely heavily on others’ emissions information to enable them to provide their own Scope 3 carbon emissions disclosures. We think that the UK Government can play a pivotal role in helping to resolve the data availability issue for these stakeholders, by establishing a free central emissions portal for UK companies to report their Scope 1, 2 and 3 information. The benefits of such a portal are potentially wide-ranging, including but not limited to:
- a. a way for UK Government to monitor improvements to data quality and availability;
 - b. providing one place for users to extract the information they need, saving time and resource extracting this information through multiple channels; and
 - c. providing one place for reporters to input data, reducing the need to communicate information to multiple stakeholders in different ways.
47. In 2020, the UK Government issued a Corporate Transparency and Register Reform White Paper in which it committed to explore options to enable companies to file their financial information once with government. We suggest that this initiative (which had substantial support at the time) could be reinvigorated, but with a wider remit to include certain non-financial information like GHG emissions.
48. A free central government portal for reporting emissions information could result in significant and widespread cost reductions for UK businesses. There are already emissions data portals available that companies pay to use and upload their data to, however not only does this come at a cost to businesses, but they may also need to use more than one portal depending on the needs of others in their value chain. Having one central portal would go a long way to reducing administrative burdens on businesses.

49. We recognise that there may be some limitations to the idea of a central portal described, such as difficulties for multinational organisations that operate outside of the UK, but it would nevertheless be a helpful step.

Common conversion factors and methodologies

50. Another major action the UK Government could take to improve many of the data issues would be to update and expand the common conversion/emissions factors. It might be possible for the UK to learn or leverage from the work other countries have done on producing emissions factors to help with reporting.
51. Finally, as explained above, if the GHG Protocol be established as the standard measurement methodology, this could go a long way in improving data quality and consistency.

Balancing costs and benefits of going beyond IFRS S2

52. Before we consider how each different reporting purpose might lead to different reporting requirements to satisfy them, we must emphasise the crucial need for a comprehensive cost-benefit assessment in this context. Such an assessment must be done for each proposed requirement or change to a requirement as well as for each type of entity. Specifically, we encourage UK Government to think very carefully about costs and benefits before introducing any requirements that go beyond those that are in IFRS S2.
53. As discussed in our response to DBT's call for evidence on the Non-Financial Reporting Review, it is not always the case that the benefits of preparing and disclosing emissions information will outweigh the associated costs. This will vary in accordance with the type of information being requested and also the nature of the company. Those on the smaller end of the scale are likely to feel a greater burden and the benefits associated with their disclosures may be less significant.
54. A cost-benefit assessment should consider entities beyond those companies subject to the requirements to entities throughout the value chain that may face consequential costs of providing additional information.

Purpose-led regulation – next steps and beyond

55. As explained in paragraphs 4-6 above, we believe changes to existing regulations and/or the introduction of new requirements must be purpose-led. This section of our response explores how clarity of purpose could lead to appropriate requirements and satisfactory reporting outcomes. The characteristics of information produced to meet each of these purposes, are likely to differ.

Purpose 1: To aid investment decisions and help direct the flow of capital to business that have a lower carbon footprint

56. We believe the reporting requirements in IFRS S2 meet this purpose precisely. The objective of IFRS S2 is 'to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity'.
57. This information should be disclosed in the annual report. IFRS S2 requires this, and it aligns with our view that the annual report should be used for provision of material information about a reporting entity that is useful to existing and potential investors, creditors and other lenders in making decisions relating to the provision of resources to the entity.
58. We strongly believe that entities at the larger/public interest end of the market should be required to report Scope 3 information to the extent it is material for investment decisions.

However, further consideration is needed about the extent to which these requirements are needed at the lower end of the market, and where the line should be drawn.

59. For those entities not required to apply IFRS S2, we think it would be appropriate to develop emissions reporting requirements that are based on IFRS S2 but with an additional layer of proportionality. We described this above as 'IFRS light' and we would see this as akin to FRS 101 for financial reporting, which offers a reduced disclosure framework for qualifying entities.

Purpose 2: To encourage behavioural changes within businesses such that the business strategy incorporates targets to reduce Scope 3 emissions

60. Reporting requirements can help drive changes in behaviour, but they cannot mandate certain behaviours. So, while we can appreciate this is often seen as one of the objectives of Scope 3 reporting requirements (and emissions reporting more generally), we do not think it is fair to expect changes in behaviour as a direct result of setting reporting requirements alone.
61. Consequently, we believe that the reporting requirements in IFRS S2 will go some way to achieving this objective. However, to better encourage changes in behaviour, we think that this would need to be coupled with pressure on businesses to produce and disclose a credible transition plan. In this regard, we think that the Transition Plan Taskforce (TPT) framework could serve as a useful tool to encourage changes in behaviour – specifically encouraging businesses to reduce or avoid Scope 3 emissions.
62. If entities are encouraged or mandated to produce and disclose a transition plan which includes, among other aspects, a clear set of ultimate and intermediary targets for reduction of Scope 3 emissions, this could be an excellent way for investors and wider stakeholders to understand the business strategy to deal with transition risks and to hold the company to account. Clearly proportionality would need to be considered when making decisions on the scope of entity this should be mandated for.
63. Because a transition plan is likely to contain information that is both material and immaterial, we believe this should be produced separately from the annual report. A standalone report for transition plan information is something that ICAEW supported as part of our [response to the TPT](#), where we outlined other benefits to this approach. Critically though, we would expect material elements of the transition plan disclosures to be disclosed in the annual report, with clear cross-referencing between documents as appropriate.
64. We understand that there are plans to consult on future requirements for entities to report using the Transition Plan Taskforce (TPT) Disclosure Framework and encourage the UK Government to consider feedback received on this call for evidence in conjunction with that consultation feedback.

Purpose 3: To provide government, investors, lenders, insurers, others in the supply chain, analysts and other data providers with the information they need to inform their own decision making and for compliance or data collection purposes

65. This purpose needs to be explored further to establish whether there truly is a need for information beyond that which is financially material. We would not advocate for the collection and disclosure of information without a legitimate and compelling reason to do so.
66. Should the UK Government decide that the data collection/compliance purpose is one that needs to be addressed, we are not convinced that the Scope 3 disclosure requirements in IFRS 2 will sufficiently serve this purpose. For example, in applying IFRS S2, entities could reasonably conclude that some or all of their Scope 3 emissions are not material for the purposes of their own reporting. However, if that entity forms part of an investment portfolio

and its emissions are aggregated with others in the same portfolio, its Scope 3 emissions could become material for the investment entity.

67. We believe alternative regulations - in addition to investment-decision focussed requirements - are required to satisfy the various needs for data. We believe that this could be partly addressed through a modified form of SECR, with appropriate practical support and guidance to enable businesses to provide such information (which may not be material) in a highly time and cost-effective manner.
68. In our view it would be appropriate to require these disclosures either on a company's website and/or into a central emissions portal (see paragraphs 46-49) as opposed to in the annual report because this type of emissions reporting would not be subject to a materiality assessment. We would also advocate for entities to be strongly encouraged or mandated to use the GHG protocol to ensure a level of consistency between entities using the reporting portal.

Key recommendations

69. We have summarised our key recommendations to DESNZ below:
 - a. Establish the purpose(s) of Scope 3 emissions reporting in the UK.
 - b. Endorse IFRS S2 (including the Scope 3 reporting requirements) for use in the UK.
 - c. Publish a roadmap for sustainability reporting requirements in the UK that includes detail of Scope 3 reporting requirements – who will be required to report what and when.
 - d. Initiate a project to establish a central emissions portal coupled with a basic common methodology requirement.
 - e. Review and update the common conversion factors.
 - f. Engage with the GHG Protocol as part of its due process in updating the standards and consider ways to mandate the GHG Protocol in the UK.
 - g. Set the regulatory/enforcement tone: Scope 3 reporting is a journey, but improvements are expected.