SECR: The basics and beyond

Review of Streamlined Energy and Carbon Reporting disclosures in charity accounts

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Environmental reporting is here to stay, with requirements and stakeholder expectations only likely to increase. We reflect on the first year of large charities reporting under SECR and highlight the best practice and areas for improvement within the sector.

Contents

Executive summary

Charities meeting the definition of large companies have been reporting under Streamlined Energy and Carbon Reporting ("SECR") requirements for at least one year.
https://www.crowe.com/uk/insights/streamlined-energy-and-carbon-reporting

Our detailed review of 24 annual reports found that all included a relevant disclosure. Between the 24 disclosures there was a wide variety in the level of detail provided and in the format used.

We identified a number of compliance issues, as well as a lack of clarity and consistency in some of the data presented.

The best disclosures were clear and focused, and presented data using relevant tables and graphs that helped the reader understand the nature of the emissions, and – importantly – what was being done to manage and reduce them.

The best disclosures also explained the choices made in preparing the data, for example the operational boundaries and the intensity ratio selected.

We also identified a number of areas where charities had gone beyond the basic requirements. We noted how important this is in achieving the ultimate aim of the disclosure: for large companies (including large charities) to understand their emissions, and then manage and reduce them.

We did, however, note the importance of keeping the annual report disclosure clear and succinct. For charities wishing to go substantially further than the requirements, the use of graphs or referencing through to a separate, more detailed report were useful methods of keeping the disclosure clear and easy to follow.

The FRC have also produced a review of SECR disclosures, focusing on quoted and very large companies, and some of the findings from this report will be relevant to large charities.

We expect environmental reporting requirements to increase in future, and charities with a well-constructed environmental strategy and effective environmental management processes will be best placed to address future requirements, as well as meeting increasing stakeholder expectations in this regard.

https://www.crowe.com/uk/insights/climate-change-non-profit

Background and methodology

Large, unquoted companies (including charities) were brought in scope of Streamlined Energy and Carbon Reporting ("SECR") for financial years beginning on or after 1 April 2019. As such all in scope charities will have reported at least once under these requirements. This makes it an appropriate time to review the disclosures across the sector and identify areas of best practice and those where improvements are needed.

Towards the end of 2021 the Financial Reporting Council ('FRC') released "Thematic Review: Streamlined Energy and Carbon Reporting"[1], which assessed the quality of disclosure but largely focussed on quoted companies, plus a few very large unquoted companies. Some of the findings will be relevant and useful for charities, and in particular we would highlight Section 9 'Key disclosure expectations for 2021', as this sets out very clearly what the FRC considers to be good SECR disclosures. This section should be read by all charities reporting under SECR.

That being said, the details of the SECR requirements are different for quoted companies and large, unquoted companies (including large charities), and the nature of charity emissions can also be different, as well as the interests of the readers of the annual reports. Therefore we considered it useful to assess the disclosures by large charities to understand what good practice looks like within the sector.

Methodology

We selected 24 annual reports from charities in scope of SECR based on size. Within our sample some charities were technically exempt, for example royal charter charities, but all of those selected had included a disclosure voluntarily and as such all were assessed on the same basis.

Our sample consisted of:

8 charities which were broadly environmental – all of which are classified within the Environment/conservation/ heritage classification on the Charity commission website

8 International NGOs ("INGOs")

8 other large national charities

We reviewed these annual reports against the requirements and considered which demonstrated best practice in this new area of disclosure.

Of the 24 sets of annual reports reviewed, all contained SECR reports.

There were minor errors and inconsistencies in the citing of legislation and guidance relating to SECR, for clarity these should be:

Law: The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Guidance: Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019.

These are referred to for the rest of this report as "the Regulations" and "the Guidance".

[1] FRC Thematic Review, Streamlined Energy and Carbon Reporting, September 2021, News | Financial Reporting Council (frc.org.uk)

Summary of requirements

Over the following pages we have detailed our review of the 24 disclosures against the requirements of the Regulations, whilst also considering the Guidance which is not mandatory.

We have briefly summarised the requirements of the Regulations below, a more detailed summary of the requirements is available on our website.

Disclosure requirements:

- Total UK energy use[2].
- Greenhouse gas emissions due to UK energy use, as a minimum broken down into
    - Purchase of electricity
    - Consumption of fuel for transport and combustion of gas
- A relevant ratio of emissions against a factor associated with the company's activities (intensity ratio).
- Comparative figures (these can be excluded for the first year of disclosure).
- Energy efficiency actions taken in the reporting period.
- Statement of methodologies used in the calculations of these disclosures.

Assessment against requirements

As most charities were reporting for the first time we have not considered the requirement for comparative figures.

For the remaining requirements we have stated the minimum required to be compliant, assessed the 24 disclosures against this minimum requirement, noted areas for improvement and then highlighted areas of best practice.

Finally, we have summarised areas where charities and others have gone beyond the minimum in ways that are potentially useful and interesting for the reader.

[2] Technically UK and UK offshore area, although this is unlikely to be relevant for most charities and as such we have simply referred to UK throughout this report.

Energy usage

"The report must state a figure, in kWh, which is the aggregate of —

(a) the annual quantity of energy consumed from activities for which the company is responsible involving —

(i) the combustion of gas; or

(ii) the consumption of fuel for the purposes of transport; and

(b) the annual quantity of energy consumed resulting from the purchase of electricity by the company for its own use, including for the purposes of transport." [3]

Charity Type	Compliant	Not compliant
Environmental	4	4
INGO	7	1
Large national	7	1
Total	**18**	**6**

Areas for improvement

One charity omitted this disclosure altogether

Four charities excluded energy consumption from fuel purchased or reimbursed for business travel where this should have been in scope – e.g. reimbursement of fuel to employees for use in personal or rental cars.

One further charity had all of the required elements but did not state the total figure as required.

It is surprising to note the lack of compliance by environmental charities – in fact, most of the environmental charities reviewed had gone well beyond the basic requirements and produced very detailed environmental reports.

Unfortunately, in doing so several had missed out one or more required elements. Conversely, some charities with less environmental focus purely included what was needed. Later in the report we will discuss the extension of reporting beyond minimum compliance requirements and the overall aim of environmental reporting, but compliance is also important and should not be overlooked.

[3] **20D.—**(3) The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018

Energy usage

Best practice

At the basic end, several charities simply stated the total figure, either within the text or as the first line in a table

For those that split out the sources, the best kept it fairly simple and clearly tied the categories back to the items listed in the Regulations and/or Scope 1,2,3 – for example the Canal & River Trust*:

Carbon Footprint 2020/21

Activity		Energy (kWh)
Scope 1 Total		
	Natural Gas (Mains)	2,400,682
	Other Gas	76,514
	Company Cars	7,180,008
Scope 2 (Location-Based) Total		
	Electricity (Location-Based)	13,489,926
Scope 3 Total		
	Business Travel – Train & Air	9,007
	Business Travel – Employee Owned Vehicles	1,382,332
Total		**24,538,469**

*Note that Business travel Train & Air is a voluntary additional disclosure

Carbon emissions

"The directors' report must state the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from activities for which the company is responsible involving—

(a) the combustion of gas; or

(b) the consumption of fuel for the purposes of transport.

The report must state the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity by the company for its own use, including for the purposes of transport." [4]

Areas for improvement

One charity included a single figure for carbon emissions as they had done for energy usage, rather than splitting out emissions from the purchase of electricity as required.

Two charities excluded the consumption of fuel from their total emissions figure.

Charity Type	Compliant	Not compliant
Environmental	7	1
INGO	7	1
Large national	7	1
Total	**21**	**3**

[4] **20D.** (1), (2) The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018

Carbon emissions

Best practice

Oxfam GB were one of a number of entities that went beyond the basic disclosure requirements. The layout of their disclosure made it easy to see the statutory disclosure (which is, theoretically at least, comparable with others) vs what was their additional disclosure.

Mandatory reported carbon:				
Scope 1	Gas	tCO2e	548	613
Scope 1	Transport (Land)	tCO2e	403	175
Scope 3	Business travel (rental, employees owned where the company responsible for purchase of fuel)	tCO2e	48	25
Scope 2	Electric (consumed only)	tCO2e	3,034	1,872
Total Gross tCO2e based on above		**tCO2e**	**4,033**	**2,685**
Optional reported carbon:				
Scope 3	Emissions from leased assets, franchises, and outsourced activities (logistics)	tCO2e	846	451
Scope 3	Emissions from employee business travel which the company does not own or control and where not responsible for purchasing the fuel	tCO2e	123	22
Total Gross tCO2e based on above		**tCO2e**	**5,002**	**3,158**

Methodology

"The directors' report must state the methodologies used to calculate the information disclosed under paragraph 20D (1), (2) and (3)." [5]

Charity Type	Compliant	Not compliant
Environmental	8	0
INGO	8	0
Large national	5	3
Total	**21**	**3**

Areas for improvement

One charity simply referred to verifiable data.

One used an incorrect citation.

One simply said they were reporting in line with the regulations.

Of the remaining charities, whilst all gave some explanation of methodology and reporting choices made, the level of detail was varied.

[5] **20F** The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018

Methodology

Best practice

The Guidance recommends stating the standards or guidelines followed in calculating the figures, beyond simply following the Regulations and the Guidance. 12 of the charities reviewed referred to a separate standard, in most cases this was the GHG Reporting Protocol – Corporate Standard.

The best explanations were kept simple and concise, for example the Royal Horticultural society stated:

"The methodology used is the WBCDS/WRI Greenhouse Gas Protocol: a corporate accounting standard revised edition in conjunction with UK Government environmental reporting guidelines including SECR guidance. An operational control approach has been taken. We have used the UK Government greenhouse gas conversion factors for company reporting 2020. Scope 2 emissions from purchased electricity have been measured using a location-based approach."

For more complex cases, a brief explanation of the operational boundaries applied can be helpful, for example which group entities or locations are included and excluded, particularly where this differs from the boundary used for the financial statements.

Where more information than this is either useful or potentially interesting, charities such as WWF-UK referenced the reader through to further detail on their website. This avoided over-complicating the disclosure in the annual report.

Intensity ratio

"The directors' report must state at least one ratio which expresses the company's annual emissions in relation to a quantifiable factor associated with the company's activities."[6]

Charity Type	Compliant	Not compliant
Environmental	7	1
INGO	7	1
Large national	7	1
Total	**21**	**3**

On page 15 we have considered the choices of ratio.

Areas for improvement

One charity omitted this disclosure altogether. Two only included scope 1 and 2 emissions not relevant scope 3 emissions (business travel where fuel is reimbursed) in their calculation.

Of those that were compliant

- Two had errors in the units, and one other did not state the units
- In one case it was not possible to trace the numerator (total emissions) in the calculation to their other disclosures

[6] **20G** The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018

Intensity ratio

Best practice

Clear explanation of the choice of intensity ratio, including why this is relevant to the charity's activities – as explained by Marie Stopes International:

"An intensity ratio of kg CO2 per m2 has been chosen because MSI's UK energy use is dominated by the heat and lightning required to run our UK support office and UK clinic network."

Clear workings – easily identifiable annual emissions figure and denominator that ties through to the other disclosures in the accounts (if applicable eg turnover or staff numbers), as well as a clearly stated unit, as set out in this simple but clear disclosure by the Woodland Trust:

Emissions source	June 2020–May 2021
	tonnes CO_2e
Vehicle use	104.3
Gas	24.1
Electricity	73.5
Total	**201.9**
FTE	493
Intensity ratio	0.41
tonnes CO_2e per FTE	

Intensity ratio choices

In our sample, the following ratios were used (24 total due to one charity omitting the disclosure and one voluntarily including two ratios).

Emissions per:	Number of charities
FTE staff	11
Headcount staff	4
Floorspace	4
Turnover/income	3
Charitable expenditure	1
Pupil	1
Total	**24**

This reflects emissions within the charity sector in general being driven more by staff than by sales or production as may be the case in a purely commercial setting. Being a new disclosure there is as yet no agreed sector practice, but we have assessed the above choices as follows:

Full time equivalent ("FTE") staff would appear more relevant than pure headcount unless charities are operating in a context where headcount directly impacts emissions, for example where staff are accommodated by the organisation and therefore contributing to emissions whether working or not.

Floorspace was generally used by charities with a large footprint, for example those operating clinics or charity shops and appears appropriate in that context. Given the rise of remote working it is less likely to be relevant for other charities.

Turnover or income is only likely to be relevant when it links directly to activity, for example in a charity focused on service delivery under contracts.

Expenditure may be more relevant than 'turnover' for many charities and given charity accounting for income is more likely to be a stable representation of activity year on year. One charity used charitable activities which is interesting and perhaps because for that charity fundraising has negligible emissions.

One entity used floorspace on a per square foot basis rather than per square metre in line with the other three – this is somewhat outdated and does not help with comparability.

The FRC noted that the most common ratio in the corporate accounts they reviewed was revenue. As noted above income or revenue are unlikely to be relevant to most charities. Of more direct relevance was their comment that "It was sometimes unclear whether the quantifiable factor chosen provided the most meaningful data in relation to the entity's operations, and explanations for the choice of ratio were generally not provided."[7] Whilst such an explanation is not required in the Regulations, it is recommended in the Guidance and is clearly an expectation of the regulator.

[7] P17, FRC Thematic Review, Streamlined Energy and Carbon Reporting

Energy efficient actions

"If the company has in the financial year to which the report relates taken any measures for the purpose of increasing the company's energy efficiency, the report must contain a description of the principal measures taken for that purpose."[8]

All of the annual reports reviewed said something in relation to this and therefore can be seen as compliant. However, the nature of the disclosure varied:

Charity type	Concrete action	Framework/ strategy only	No action
Environmental	8	0	0
INGO	2	3	3
National	6	2	0
Total	**16**	**5**	**3**

As might be expected, all of the environmental charities had clear actions. Amongst others, several noted covid-19 as causing delays in achieving their environmental actions. Five of these organisations had made changes to their strategy or framework for environmental management, and three disclosed that they had taken no action at all.

Areas for improvement

Several charities were reliant on factors beyond their control for improvements – e.g. the increase in remote working and decrease in business travel due to the pandemic As such these organisations will need to consider how they can drive further improvements as the balance of remote and office working changes.

Similarly, frameworks and strategies could be seen as a reasonable place to start for year one given covid disruption, but these organisations will need to find actual changes in organisational behaviour if they are to have anything meaningful to disclose going forward.

None of the charities quantified the specific impacts of the improvements, as recommended by the Guidance.[9]

[8] 20D (4) The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018

[9] P42, Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019

Energy efficient actions

Best practice

The Royal Parks clearly distinguished between temporary improvements and permanent improvements:

"Whilst a significant proportion of the carbon savings achieved has been a result of the reduced activity due to COVID-19, some initiatives such as switching The Royal Parks' vehicles to electric/hybrid or closely managing water consumption bring more long-lasting impact. The effect of improvements introduced at the end of the financial year (e.g. switching to battery powered landscape maintenance tools) will be more visible next year."

Overall presentation

As this is the first year of SECR disclosures for most large charities, there is little consensus on how the disclosure should be set out. Indeed, given the differing level of importance that environmental disclosure will have for the readers of different charity annual reports, it is likely to be appropriate for these disclosures to be longer and more fulsome in some cases whereas others will be simpler and compliance based. We looked for clarity of presentation and consistency of information.

Areas for improvement

Excessive use of environmental jargon and acronyms without explanation. These disclosures are aimed at all readers of the accounts not just environmental specialists. Examples included 'grey fleet', 'market based'/'location based' and 'SECR' itself.
Excessive detail at the expense of clarity – this included large amounts of unexplained data, and extensive narrative that may have been better presented as a separate environmental report on a website. One charity included 7 years of data for 8 sources of emissions in a series of tables. This additional detail would likely have been better presented as a graph.
Lack of tables for figures – including the data in the text was sufficient for the first year, but will become harder to follow once comparatives are included.

Best practice

Understand the needs of the readers – who is going to be reading these accounts and what do they want to understand. Our view is that most readers who are not environmental experts will be interested in overall trends in energy use and emissions, and actions taken to reduce these. Further detail being separated out into a dedicated environmental report prevented some annual reports being lost in detail.
Use of graphs to show trends – this will become more relevant as more years of comparative data become available.
Brief explanations of what the disclosure is, what choices have been made and what the key areas of emissions are for the organisation, ensuring energy efficiency actions are aligned to this. For example, charities with significant vehicles fleets or physical buildings such as shops or hospices showing an appropriate focus on these areas.

Disclaimer

We have presented the disclosures that we considered gave the best overall presentation of the SECR requirements on the following page, on a simple basis and as a more detailed disclosure.
Please note that we are only considering overall clarity of presentation, this should not be considered an endorsement of the disclosure overall, nor have we verified the figures disclosed in these or any other of the extracts within this report.

Best simple disclosure

We liked the clarity of the Marie Curie disclosure, which gave some short background of why environmental reporting is important, presented the data in a table that was easy to follow, explained the methodology and disclosure choices (eg intensity ratio), and set out concrete actions taken in the year.

Our commitment to the environment

Marie Curie needs to operate in an environmentally sustainable manner. Environmental issues are having an increasing impact on the health and wellbeing of people in the UK, and it is vital that Marie Curie plays its part in improving this situation.

Streamlined Energy and Carbon Reporting (SECR) statement

		2020/21	2019/20
UK and offshore Energy consumption (kWh)	Gas (Scope 1)	6,871,215	6,174,525
	Other fuels (Scope 1)		
	Electricity (Scope 2)	5,018,943	6,218,681
	Electricity transmission and distributions (Scope 3)		
	Transport fuel (Scope 1 - company fleet)	1,993,694	3,064,260
	Transport fuel (Scope 3 - grey fleet)	947,365	3,631,573
	Total	**14,831,217**	**19,089,039**
UK and offshore Emissions (tCO_2e)	Gas (Scope 1)	1,400	1,135
	Other fuels (Scope 1)		
	Electricity (Scope 2)	1,170	1,454
	Electricity transmission and distributions (Scope 3)	101	135
	Transport fuel (Scope 1 - company fleet)	504	743
	Transport fuel (Scope 3 - grey fleet)	261	872
	Total (Gross Scope 1 and 2)	**3,074**	**3,332**
	Total (all Scopes)	**3,436**	**4,339**

Intensity ratio

Due to the diverse range of services offered by Marie Curie, all of which depend on the dedication of members of staff, the intensity metric of kWh/FTE (full time equivalent employee) was chosen.

	2020/21	2019/20
Normalisation Metric (FTE)	2,607	2,096
Intensity Ratio (tCO2e/FTE)	1.279	1.498

The fall in energy consumption of approximately 22% is primarily due to the impact of Covid-19 as a number of office and retail sites have closed. This may increase with reoccupation.

Methodology

Methodology follows best practice and is based on HM Government Environmental Reporting Guidelines, March 2020.

All emissions factors are taken from UK Government GHG Conversion Factors for Company Reporting, 2020 factors.

Scope 1 and Scope 2 consumption data (gas and electricity) taken from validated and verified Utility Suppliers invoices.

Scope 1 and Scope 3 (transport) data taken from Marie Curie internal tracking systems incorporating company fleet data and grey fleet data; Company fleet classed as scope 1 emissions, grey fleet (i.e. fuel used in employees private cars for business trips) classed as scope 3 emissions (as defined in HM Government Environmental Reporting Guidelines March 2020).

Energy efficiency action plan

- Marie Curie Hospice, Liverpool: completed internal and external window replacement throughout hospice.
- Marie Curie Hospice, Newcastle: installed new modular gas-fired boilers. Having separate gas fired hot water generators for the domestic hot water allows all LTHW plant to be off within the summer months therefore saving on utility bills.
- Marie Curie Hospice, Cardiff and the Vale: lighting replaced with LED lighting in some areas.
- Marie Curie Hospice, Hampstead: installed LED lighting in ground floor corridors.
- Marie Curie Hospice, Glasgow: upgrade of ward lighting to LED.
- Refurbished a number of Marie Curie shops, including installation of LED lighting.
- All refurbishment works in the coming year (2021/22) will include high-efficiency equipment where possible, including LED lighting and best available technologies.

Best detailed disclosure

We liked the use of graphs in the Royal Parks disclosure set out on the following pages, and the use of multiple tables each with an explanation. This meant that whilst a lot of data was presented, it was all digestible and understandable for a reader who may not be an environmental expert or fully familiar with the operations of the Royal Parks.

Energy and Carbon Reporting

In accordance with the requirements of Streamlined Energy & Carbon Reporting (SECR), imposed by the 2018 SECR Regulations, we are required to disclose energy and carbon information including:

- UK energy use (as a minimum gas, electricity and transport)
- The associated greenhouse gas (GHG) emissions
- At least one emissions intensity ratio
- Previous year's figures for energy use and GHG emissions
- Methodologies used in calculation of disclosures
- Information about energy efficiency action taken in the financial year

Within this report is a summary of energy and transport consumption emissions, together with requirements of intensity ratio, methodologies and a narrative on energy improvements.

Energy improvements

In April 2020, we switched to a renewable electricity tariff. This means that all the electricity we buy is now sourced from renewable generation. Our market-based carbon emissions from electricity production have therefore been reported as zero.

Whilst a significant proportion of the carbon savings achieved has been a result of the reduced activity due to COVID-19, some initiatives such as switching The Royal Parks' vehicles to electric/hybrid or closely managing water consumption bring more long-lasting impact. The effect of improvements introduced at the end of the financial year (e.g. switching to battery powered landscape maintenance tools) will be more visible next year.

Energy consumption used to calculate emissions

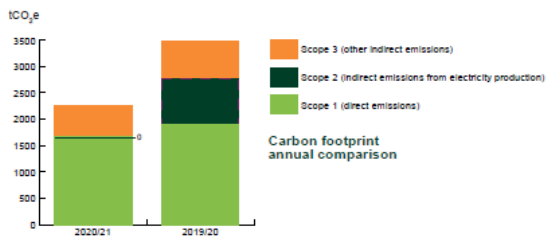
Emissions Source	Amount (2020/21) in kWh	Amount (2019/20) in kWh	% reduction
Natural Gas (heating + street lighting)	4,116,052	4,301,314	4.3%
Electricity	2,559,571	3,360,686	23.8%
Transport (TRP & contractors)	1,525,317	1,894,801	19.5%

Carbon footprint

Our carbon footprint in 2020/21 was 35.5% lower than in 2019/20, after a reduction of 1,239 tonnes of carbon dioxide equivalent (tCO_2e[1]). The highest source of carbon emissions was the gas lighting in central parks (as in 2019/20), followed by fuel used to heat up the Hyde Park Nursery boiler and our contractor vehicles. The natural gas used for heating buildings and the fuel used to power machinery used by our contractors were also significant contributors to the carbon footprint.

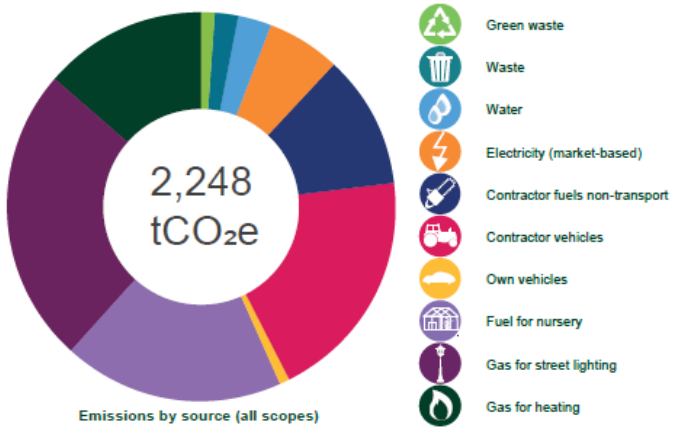
Carbon footprint summary table

Total emission scope summary	Calculated emissions (tCO_2e)		% Reduction
	2020/21	2019/20	
Scope 1 (direct emissions)	1,662	1,903	12.7%
Scope 2 (indirect greenhouse gas emissions - electricity)	0	857	100%
Scope 3 (other indirect greenhouse gas emissions)	586	727	19.4%
TOTAL	2,248	3,488	35.5%



Emissions sources

While emissions are reported under three different scopes, the chart below represents all emissions measured, regardless of which reporting scope they are included in. This is useful in identifying where the most emissions come from.



Emissions by source (all scopes)

Scope 1 emissions (direct)

These are emissions from activities controlled by The Royal Parks or our contractors that emit directly to the atmosphere.

Definition	Source	tCO₂e 2020/21	tCO₂e 2019/20	% reduction
Emissions from combustion of gas	Natural gas (heating)	267	316	15.4%
	Natural gas (street lighting)	490	490	-0.01%
Emissions from combustion of fuel for heating	Red diesel (Hyde Park nursery)	290	331	12.5%
Emissions from combustion of fuel for transport (petrol and diesel)	The Royal Parks' own vehicles	15	21	29.5%
	Contractor vehicles	354	440	19.8%
Emissions from combustion of fuel for non-transport purposes (red diesel and petrol)	Contractors (other fuels)	201	243	17.3%
Emissions from other activities which we own or control including operation of facilities	Red diesel (small scale incinerators and generators)	46	61	25.6%

Contractor vehicle fuels include Facilities Maintenance, Toilet Cleaning, Landscape Maintenance, Tree Management, Gate Opening and Hyde Park Nursery. Emissions from fuel for non-transport purposes includes the fuel used in tools & machinery by Glendale Golf, Landscape Maintenance and Tree Management contractors. 2019/20 figures have been adjusted to add the contribution from Glendale Golf in Richmond Park.

Scope 2 emissions (indirect)

These are emissions from purchased electricity. We are required to report the average emissions of UK grid electricity (location-based), regardless of the tariff that we choose to purchase (market-based) as shown in the table below. The Royal Parks buys all its electricity on green tariffs*. The estimated emissions for this electricity from renewable sources (market-based) is zero. If we take into account the location-based emissions, we have still achieved a 30.4% reduction, because we have effectively used less electricity.

*Backed by Renewable Energy Guaranteed Origin (REGO) certificates, which verify that the electricity has been generated from renewable sources.

Definition	Source	tCO₂e 2020/21	tCO₂e 2019/20	% reduction
Purchased electricity (location-based)	UK electricity (all parks, including street lighting)	597	857	30.4%
Purchased electricity (market-based)	UK electricity (all parks, including street lighting)	0	857	100%

Scope 3 emissions (indirect)
These are other indirect emissions not included in scope 2.

Definition	Source	tCO_2e 2020/21	tCO_2e 2019/20	% reduction
Emissions from the supply & treatment of mains water	Water supply	61	82	25.6%
Emissions from extraction, refining and transportation of the raw fuel sources	Natural gas, transport and other fuels	311	363	14.3%
Emissions from electricity related to extraction, refining, and transportation of fuels consumed in the generation of electricity	Well to Tank - generation and transmission & distribution	89	130	31%
Emissions from generation of electricity that is consumed in a transmission and distribution system which we do not own or control	Transmission & distribution of electricity (all parks)	51	73	29.5%
Emissions from disposal of waste	Waste collected from public park bins & generated by facilities management activities	44	55	19%
	Green waste composted in the parks	29	25	-15.5%

Outside of scopes emissions
Biofuels (including the statutory proportion blended with diesel and petrol fuels) are reported as outside of scopes – they do not count towards total emissions (as the carbon released was previously offset / absorbed during growth of the crops rather than being from fossil fuels) but are reported for completeness.

Source	tCO_2e 2020/21	tCO_2e 2019/20	% reduction
Diesel and petrol with biofuel blend (including The Royal Parks' and contractors' vehicles and machinery)	18	17	-4.7%

Intensity ratio
Under SECR rules, we are required to report emissions against an intensity of output measure (or normalising factor), so that decreases or increases in output in future years do not disguise changes in energy efficiency/emissions reductions and valid comparisons can be made over time. We have chosen to report tonnes of CO_2 equivalent per £1 million turnover

Intensity ratio	Turnover £m	2020/21	2019/20	% reduction
tCO_2e/ £1m turnover (using location-based scope 2)	48,275	59	51	-15.5%
tCO_2e/ £1m turnover (using market-based scope 2)	48,275	47	51	10%

Reporting methodology
The organisation has taken guidance from the UK Government Environmental Reporting Guidelines (March 2019), the 2020 Greenhouse Gas Protocol (GHG) Reporting Protocol – Corporate Standard, and from the UK Government GHG Conversion Factors for Company Reporting document for calculating carbon emissions.

Beyond the basics

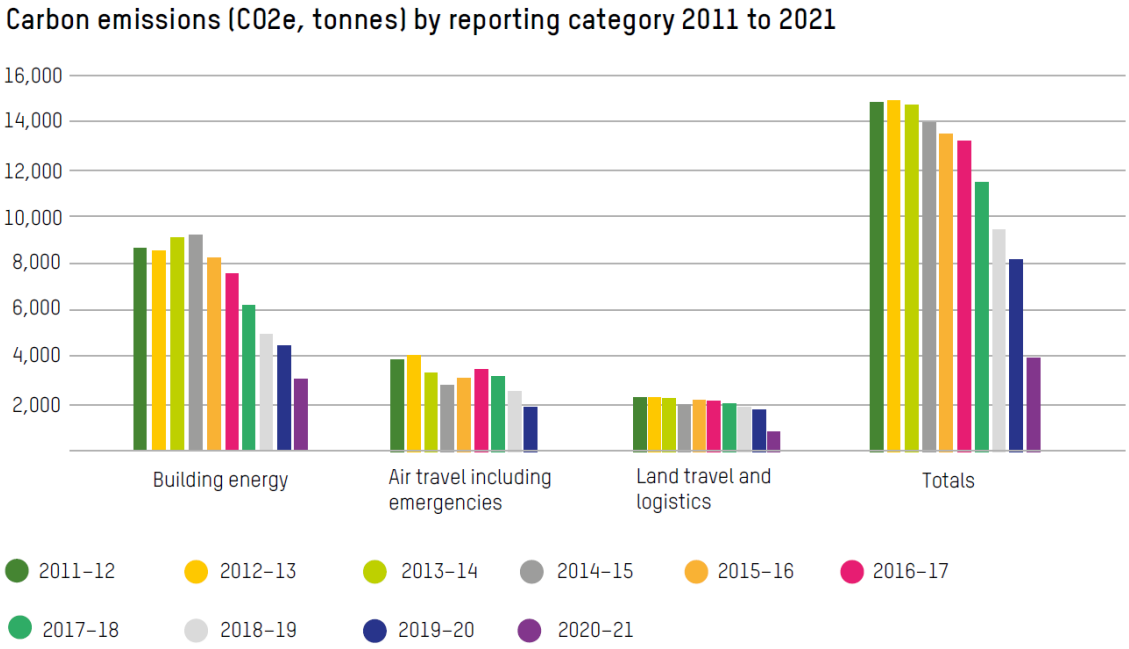
Several charities went well beyond what is required by the Regulations, either by adding detail to the SECR disclosures or through integration with wider environmental reporting. This gets to the heart of the matter, which is: what drives emissions in your charity, and what do you need to do to reduce them?

Examples identified included:

- Disclosing scope 3 emissions other than employee vehicles:
  - Business travel by train or air
  - Supply and treatment of water
  - Disposal of waste
  - Use of hotels
- Disclosing scope 1 emissions other than gas including heating oil and wood fuel
- Making a distinction between energy usage from renewables and non-renewables
- Reporting of location based and market based emissions – although this needs to be clearly explained to avoid being confusing. Explanation of the difference and linking to the above separation of renewable and non-renewable energy usage may help
- Reporting well-to-tank energy consumption rather than purely based on energy bills
- Disclosing usage of sustainable materials
- Reporting on waste management and recycling
- One INGO stated an intention to report on global emissions in future years
- Reporting multi-year trends in carbon emissions – see next page

Beyond the basics

Oxfam GB included a graph tracking carbon emissions over the past ten years and showing the reductions they have made. This achieves the ultimate aim of environmental disclosures which is to show the genuine progress being made by organisations as they reduce their emissions and other negative impacts on the environment:



Other environmental disclosures by charities

We also considered the accounts of a further eight charities who were out of scope of SECR either due to size or nature (eg unincorporated or Royal charter) but had voluntarily produced environmental reports. We noted the following which may be of interest to charities looking to augment their SECR or general environmental reporting:

- The National Trust annual report included percentage reduction in year on year emissions, and also a mini-case study which brought to life their energy reduction activities
- The NSPCC presented percentage waste recycled.
- RNLI discussed their reductions in single-use plastic.
- The British Ecological society included their investments and pensions environmental policies within the environmental disclosure

We do not advocate for disclosure for disclosure sake – much of the above will not be relevant for every charity. However, it is useful to consider the above and assess which, if any, are relevant to your charity. As we conclude below, what is important is to understand, measure and reduce emissions, whether these fall under the SECR requirements or not. There is then a choice to make about whether this additional detail is included in the annual report disclosure.

Corporate accounts

There is always plenty to be learnt from the corporate sector, which often has more resources with which to address disclosure requirements and consider how this links to wider strategy and messaging. We reviewed the accounts of a sample of large corporates who have publicly expressed commitments on climate change to see how they presented SECR and linked it to their wider environmental commitments.

Marks & Spencer provide a great example of being compliant without being driven by compliance. They already have their 'Plan A' commitments to sustainability and their annual report focusses on what has been achieved against these commitments. SECR then becomes one part of this. Their full reporting against Plan A goes beyond this extract and may be of interest.

PLAN A MEASUREMENTS

	Measurement	Progress	
FOOD WASTE	Donations of surplus in meals equivalent	11.8m **meals**	+126% on 2019/20
PACKAGING	Percentage of packaging classified as being easily recyclable	87%	+10% on 2019/20
WASTE TO LANDFILL	Percentage sent to landfill	Zero	Zero in 2019/20
M&S GREENHOUSE GAS EMISSIONS (CO_2e)	The gross carbon dioxide emissions from M&S operated stores, offices, warehouses and delivery fleets worldwide. In addition, we purchase renewable energy and carbon offsets to match these emissions, making our global operations carbon neutral	298,000 **tonnes CO_2e**	-13% on 2019/20*
MARKS & START	Number of UK placements offered	350	-81% on 2019/20*
COLLEAGUE VOLUNTEERING	Number of paid volunteering hours provided by M&S colleagues	**Paused due to Covid-19**	n/a
COMMUNITY AND CHARITIES	Donations raised by customers and colleagues	£2.4m	-64% on 2019/20*
	M&S donations relating to the Sparks loyalty scheme, the Rainbow Sale which supported NHS Charities Together and cause-related marketing	£14.9m	+210% on 2019/20*

STREAMLINED ENERGY AND CARBON REPORTING

ENERGY AND TRANSPORT FUEL CONSUMED

	This year 2020/21 (GWhs)	Last year 2019/20* (GWhs)	% change
UK operations	787	827	-5%
International operations	18	23	-21%
Group	**805**	**850**	**-5%**

* Performance has been restated to use actual data sourced from international operations, in place of previous year estimates.

2020/21 saw a significant impact to the operational space in our stores as we reacted to the national lockdowns, with entire trading floors closed for several month's at a time. The closure of this space will have materially reduced the amount of energy consumed.

The principle measures taken to improve energy efficiency in 2020/21 include continued roll-out of new refrigeration shelf-edge technology, conversions to LED lighting and the trialling of new fan technologies at certain locations.

GREENHOUSE GAS (GHG) EMISSIONS

	This year 2020/21 (000 tonnes)	Last year 2019/20* (000 tonnes)	% change
Direct emissions (scope 1)	157	173	-9%
of which UK:	156	172	-9%
In-direct emissions from electricity (scope 2)	141	168	-16%
of which UK:	129	154	-16%
Total gross/location-method scope 1+2 GHG emissions	**298**	**341**	**-13%**
of which UK:	**285**	**325**	**-12%**
GHG intensity per 1,000 sq ft of salesfloor	15	17	-12%
Procured renewable energy	120	143	-16%
Total market-method scope 1+2 GHG emissions	**177**	**198**	**-11%**
of which UK:	**164**	**183**	**-10%**
Procured carbon offsets	177	198	-11%
Total net scope 1+2 GHG emissions	**0**	**0**	

*Note that Marks and Spencer's report under the listed SECR rules, which are slightly different to the large company rules and therefore not directly comparable

Internal controls and assurance

In the long term, the biggest risk in relation to the success of carbon reporting regulations and requirements is not necessarily compliance with the disclosure requirements, but that companies make errors in the production of the figures or show artificial progress as a marketing exercise.

Whilst such 'greenwashing' has so far been identified with the corporate sector more than the charitable sector, the increasing disclosure requirements and increasing interest from stakeholders means that there will be more and more incentives to either directly manipulate the figures or more subtly set boundaries and make assumptions in such a way that present figures in a favourable light.

The starting point to address the risk of error and manipulation is the internal controls over the production of these figures, including:

- Tone from the top in relation to the importance of environmental reporting, and of the completeness and accuracy of figures presented;
- Implementation of a formalised framework for reporting including:
    - Setting boundaries and assumptions to ensure these are appropriate and consistently applied year on year;
    - Use of reliable, consistent data sources;
    - Sufficient internal review and challenge of figures prior to publication by those with appropriate skills and experience; and
- Inclusion of environmental management, including data capture and reporting, in Internal audit work programmes.

Beyond this, obtaining external assurance over SECR disclosures is currently not mandatory although it is recommended by the Guidance. We believe that this will have a key role to play in creating and maintaining public trust in carbon reporting including SECR.

Conclusion
So what?

We were pleased to see that all charities in our sample had attempted to comply with the Regulations.

The nature and quality of disclosure was varied, and we expect to see changes and improvements over the following years as charities learn from each other and gain an increased understanding of the needs of the readers of their accounts.

The important question to ask is ‘so what?’. Whilst a nicely presented, accurate disclosure will keep the accountants and auditors happy, that is surely not the scale of our ambition in this area.

We recommend that charities focus on the purpose of the disclosure – to show the overall trend in energy use and emissions, and explain the improvements being made by the charity. A good disclosure is really the last piece in the puzzle, the underlying aim is for large companies (including charities) to understand their emissions and find ways to manage and reduce them.

This means that it will be useful for some organisations to go beyond the minimum requirements – for example an international charity only looking at their UK emissions would not really understand their global impact on the environment. However, where further detail is considered important use of tables, graphs or reference to a separate report can help keep the disclosure focused and easy to follow.

We note that the FRC expectations centre on the clarity, ease of navigation and cross referencing of disclosures, as well as explanations of choices made in producing the disclosures.

Conclusion
So what?

Environmental reporting is something that is here to stay for large companies, and we expect the trend to be for increasing disclosure over the coming years. This is evidenced by the introduction of new mandatory climate-related financial disclosures for quoted and very large companies[10] for periods beginning on or after 6 April 2022[11]. These are based on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures and, as with SECR, we may see some elements of this trickle down to other large companies in future, including large charities.

For those contracting from government, we are also starting to see environmental management being built into large government procurements[12]. Again, this may well trickle down over time, for example to local government procurement and/or smaller contracts. Finally, stakeholder expectation is increasing in respect of environmental management. This will vary between charities depending on their supporter base, beneficiaries and other stakeholders, but the upward trend over the coming years is likely to be consistent across the sector.

In discussions with our clients and others, those that were already ahead of the game on environmental reporting and management of emissions found it far easier to produce their first SECR report than those looking at environmental reporting for the first time. With disclosure requirements in this area only likely to increase over time, the best advice is to ensure that you understand your impact on the environment and have a clear plan of how to manage it. Rather than environmental reporting and management being driven by the latest set of requirements, all large charities should have or be working on an environmental strategy driven by the board and executive team, and then any new requirements will become a more straightforward compliance and communications exercise.

If you would like to discuss environmental disclosures, assurance or environmental reporting and management processes more generally, please contact our team using the details provided.

[10] Very large companies refers to UK registered companies with more than 500 employees and a turnover of more than £500m. Note also that quoted refers to companies with listed shares, companies with listed debt only are not currently in scope

[11] Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022

[12] Companies bidding for major government contracts face green rules - GOV.UK (www.gov.uk)

Glossary

1. **Grey fleet – Vehicles owned and driven by employees for business purposes with reimbursement of expenses by the employer.**

2. **Scope 1 - Emissions from activities owned or controlled by your organisation that release emissions into the atmosphere.**

3. **Scope 2 - Emissions released into the atmosphere associated with your consumption of purchased electricity, heat, steam and cooling. These are indirect emissions that are a consequence of your organisation's activities but which occur at sources you do not own or control.**

4. **Scope 3 - Emissions that are a consequence of your actions, which occur at sources which you do not own or control and which are not classed as scope 2 emissions. Examples of scope 3 emissions are business travel by means not owned or controlled by your organisation, waste disposal which is not owned or controlled, or purchased materials or fuels[13].**

[13] Environmental Reporting Guidelines: Including streamlined energy and reporting guidance March 2019

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