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Dear Sir/Madam,

Scope 3 Emissions in the UK Reporting Landscape

Mazars is an internationally integrated partnership specialising in audit, accountancy, advisory, tax and legal services. Operating in over 90 countries and territories around the world, we draw on the expertise of 47,000 professionals – 30,000+ in the Mazars integrated partnership and 17,000+ via the Mazars North America Alliance. In the UK, Mazars has approximately 160 partners and over 2,900 employees, and is ranked one of the top 10 firms nationally.

We are pleased to have the opportunity to contribute to the Department's Call for evidence on Scope 3 emissions in the UK reporting landscape. We set out below our views on the need for and practicality of scope 3 reporting, some general comments on the endorsement of IFRS S1 and S2, followed by responses to the specific topics for consideration set out in the call for evidence and details for Mazars own report in the appendix at the end of this letter.

General comments

Background

1. We are delighted to see that the Department for Energy Security and Net Zero (DESNZ) are seeking views about the existing and potential reporting requirements for Scope 3 information and 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 TAC's Call for Evidence on the UK Endorsement of IFRS S1 and IFRS S2.
2. It is clear that this is an important issue to investors and other stakeholders and that there is a demand for information, but also clear that this is an area where there are a number of possible uses for information and where the cost and effort involved in obtaining it, and doing so on a comparable and reliable basis, may be substantial.
3. Although our picture of scope 3 emissions is far from complete, in the majority of cases they are likely to be significantly larger than those from scope 1 and 2. They

are, however, of a different nature to those from scopes 1 and 2. Companies will often, though not always, have less control over scope 3 emissions, quality of data is likely to be lower and completeness more difficult to achieve and demonstrate. While understanding and reducing scope 3 emissions will be key to a reduced carbon transition, it should be accepted that companies are unlikely ever to be in a position to provide a complete and accurate report on their scope 3 emissions in the manner they should be able to for their own operations. We believe that reporting regulations, enforcement and any required assurance associated with them should reflect this inherent limitation in the quality, and completeness, of the data.

Purpose

4. There are several potential purposes for gathering and reporting scope 3 information. The nature and scope of information, and the balance of costs and benefits will vary depending on purpose. As a result the purpose of scope 3 reporting should be established before setting the scope, detail, location and frequency of reporting, which may need establishing separately for each purpose.
5. We have identified at least three potential uses of scope 3 reporting.
 1. To aid investment decisions through assessing the potential risks or costs of carbon exposure
 2. To encourage behavioural changes in reporting businesses (including consideration of how to influence the behaviour of their customers or suppliers) with the aim of reducing emissions across the value chain
 3. To provide investors, others in the value chain, or governments and regulators the information they need for compliance, disclosure or data collection purposes. We note that while investors are cited as users here they are not acting in their capacity as investors for this purpose as data under this purpose is used for compliance rather than making investment decisions.
6. Though information for one use may also meet the needs of another, this is not necessarily the case. Even if similar information is required, that information may best be presented in different formats, in different levels of detail or through different media depending on purpose. For purpose 3 in particular, data provision at a product rather than company level may be required and a consistent methodology for providing this needs to be developed. In our view, “management accounting for ESG”, would need developing.
7. We strongly urge the department to tailor their reporting requirements to the purpose or purposes behind disclosure of the data.

ISSB standards

8. We recently responded to the Sustainability Technical Advisory Committee supporting the adoption of the ISSB’s first two standards. We believe the requirements of S2 meet the needs of purpose 1 and thus form an appropriate basis for scope 3 disclosures for the annual report.
9. We believe an emissions reporting system for the UK should start with the requirements of S2 which match those of the primary users of the annual report. Additional requirements, where these are required for other purposes, should be

recognised as such, provided in an appropriate location and should be proportionate and aligned with those provided under S2 to avoid duplicative cost and confusion for users.

10. We note that the ISSB considered and responded to feedback in the reporting requirement of S2 and included a number of transitional and proportionality-related reliefs and guidance. We suggest that where such reliefs apply to S2, similar or aligned reliefs should apply to scope 3 reporting requirements elsewhere. Further transitional reliefs or guidance on these is likely to be needed if unquoted companies are to be within scope.

Energy and Carbon Reporting for primary users of general purpose financial statements

11. We note that quoted companies have been required to report their scope 1 and 2 emissions since 2013 and that large unquoted companies and limited liability partnerships were required to report in 2019 under the Streamlined Energy and Carbon Reporting (SECR) framework. The stated intentions when introducing SECR were to increase awareness of energy costs to help reporters to reduce their climate impact and to provide greater transparency and consistency of disclosures for investors.
12. While we would agree that the original greenhouse gas disclosure requirements for quoted companies have provided useful information for investors, driven awareness of energy use and carbon production at board level and, to some extent, encouraged reductions in climate impact, we do not see evidence of the same benefits being achieved for most unquoted entities. This is particularly true in the case of providing useful information for investors in their role as investors; the purpose which should be the basis of information provided in the annual report. We do not see evidence of significant use of this information by investors for anything other than the largest of unquoted companies.
13. We also note that the current information provided by unquoted companies is not consistent with that produced by quoted companies as it does not necessarily look at complete group information (due to exemptions for individual subsidiaries in groups), considers only UK emissions and does not consider industrial emissions or scope 2 emissions other than those from electricity use.
14. We would therefore propose that the threshold for mandatory disclosure of energy and carbon information in annual reports for unquoted companies is raised to the same threshold as that for climate-related financial disclosures and that the “low use threshold”, currently 40MWh, is substantially increased. Where such disclosure is required it should be produced under the same requirements as those for quoted companies (i.e. including emissions globally, complete consolidation of group emissions, all classes of scope 1 and 2 emissions). [Requirements for scope 3 emissions are considered later in this document]
15. There may also be a case, based on capital markets requirements, for companies with listed debt, which are not currently classified as quoted, to be included in this definition to provide better information for holders of such debt.
16. In order to produce an orderly transition to the provision of reliable scope 3 emissions data we believe it would be most effective to introduce this requirement for quoted companies initially followed by the largest companies, as they are most likely to have the resources to collect and disclose relevant data. We are concerned that an attempt to make such reporting mandatory on too large a scale initially will result in

damage to the credibility of the data provided due to the inability of smaller companies to resource such reporting. We note, and agree with, the concern of some stakeholders, that complete data provision by all elements of the value chain is required, but also note that this cannot be provided through any practical action of the UK government due to the presence of overseas entities, natural persons not subject to reporting requirements and companies below whatever threshold is decided upon in the value chain.

17. We expect that the government's long-term aim is for wider collection and reporting of scope 3 information. We do not think that it would be appropriate to write this into legislation at the time of the initial proposals however. We believe a better option would be to perform a post-implementation review of the data produced by larger companies after an initial period and to tailor mandatory requirements for smaller companies in the light of the findings.

Energy and carbon reporting for value chain purposes

18. While there is a public interest in disclosure of carbon emissions by companies below the threshold for climate-related financial reporting or, later IFRS S1 and S2, we suggest that, as this is significantly less likely to be used by investors and financial institutions in their function of assessing attractiveness of investments or credit supply, it should be provided outside the annual report.
19. Where such data is required the issue of completeness and consistency of scope 1 and 2 data should be addressed (as noted above in para 14).
20. If, as we believe is the case, users of this data require data on large numbers of companies at a time for compliance purposes and to produce their own scope 3 information reporting, we suggest this could be better fulfilled by provision of the data to a government run portal. This would have the following benefits:
 1. Greater consistency of format and comparability of information,
 2. Easier access by users of the data through the ability to look at all UK issuers in one place,
 3. Lower costs for companies submitting data through removal of the costs of multiple submission and of costs for accessing/storing information on intermediary portals (these can be substantial if different suppliers require information in different portals or formats),
 4. Better access to bulk data to allow academic or regulator studies on data quality and compliance.
21. If such a requirement to report through a government portal is created we note it should also apply to those companies covered by the requirement to report in their annual reports as the advantages noted in 20 also apply to users of data from larger companies. This would also allow data produced in annual reports to focus on information material for investment decisions and avoid unnecessary volume of disclosure.

Difficulties of data collection

22. There are significant challenges to producing scope 3 information on a comparable basis and at reasonable cost. These include issues of methodology, extent of influence within a value chain, accessibility, completeness and reliability of data. It is likely that wholesale adoption of disclosure requirements by larger companies will result in improving coverage and quality over time and that costs of acquiring data

will fall. Costs are, however, likely to be substantial to begin with. Even in the long-term direct data provision is likely to be incomplete and require significant reliance on judgements and estimates.

Materiality, compliance and disclosure of issues of data quality

23. Consideration of materiality and of reporting only material items is embedded in the structure of IFRS financial and sustainability standards. This means entities would only be required by the standard to provide information about scope 3 emissions if this information is expected to influence a primary user's assessment of the entity's position and prospects.
24. We support this approach to materiality and believe this is appropriate for information provided in annual reports. We note, however, that this will result in managements having to apply judgement when making decisions about what data to collect and report. We would not wish to see compliance-driven demand by third parties or thresholds driven by external references override this approach. To avoid a defensive approach and resulting provision of immaterial data entities will 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 monitoring this appropriately, we suggest educational guidance is produced. Ideally this would be issued by the ISSB directly so that it can be applied in a globally consistent way but we encourage the UK Government to influence this where possible.
25. The information required by IFRS S2 will not necessarily cater for those that require information for purposes other than investment [or credit supply] decisions and, as noted above, is not designed to. 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. If a materiality lens is applied to this information, lower levels of emissions in particular classes or emissions which are, in management's judgement, unlikely to affect investors' investment opinions will not be disclosed. If investors are not able to assume that immateriality from the entity's view also implies immateriality from the point of view of their reporting, they may not be able to demonstrate that they have complied with their own obligations from this data. If further data is considered necessary for this purpose, we note our proposed location and method of delivering this at para 20-21 above.
26. We note that IFRS S2 asks entities to disclose the approach to measurement for greenhouse gas emissions. We believe that, in order for Scope 3 disclosures to be useful to users, the inputs and assumptions used and changes in approach from previous reporting periods must be disclosed. Disclosures that are limited to stating compliance with the GHG Protocol are not sufficient. We believe that entities need to be encouraged to be as transparent as possible with the disclosures related to methodology and particularly the proportion of data estimated and the basis of estimation. Changes to inputs, methods and assumptions from one reporting period to the next and the reasons for these should also be disclosed.

The GHG protocol

27. We note that UK reporters widely claim to use the GHG Protocol, and we are not aware of any other methodology that is widely applied. The Basis for Conclusions in IFRS S2 states that the GHG Protocol is the most commonly used standard for measuring GHG emissions and expects it to be the method of calculation unless law

or regulation states otherwise. Emissions associated with activities outside the consolidation boundary should be clearly distinguished. We support the GHG protocol's use in this context and believe it would be appropriate to mandate continued use of this measurement methodology in order to promote consistent and comparable reporting of emissions data.

28. We recognise that the GHG Protocol has its limitations (see para 30 below). However, any guidance that is not UK specific would be best dealt with by either the ISSB or the GHG Protocol themselves to allow global consistency.
29. We understand that there are plans underway for the GHG Protocol to be updated following due process. In light of this, we encourage DESNZ to be actively engaged in this process in order to help influence the outcome for the good of UK reporters and stakeholders.
30. We would encourage the IFRS foundation, if it wishes to continue to refer to the GHG protocol in its standards, to find a way of bringing this into its due process framework.
31. We support IFRS S1 and S2 in aligning the corporate boundary for ESG reporting matching that for financial reporting. We note, and indeed this is noted in the basis for conclusions of IFRS S2 (BC101), that there is potential for inconsistency there with the GHG protocol. We agree that there are occasions where the reporting of emissions outside the consolidation boundary of financial reporting under the GHG protocol can be useful; both positively in the case of investments and maybe also negatively in the case of minority interests. There are also occasions where investments are consolidated where the responsibility for the nature of those investments lies elsewhere. Some flexibility in justifying departures from the consolidation boundary on a "true and fair" basis may be helpful.

Simplified or standardised approaches to scope 3 information

32. The ability of companies to acquire emissions data from their suppliers and customers varies. While this is likely to improve over time and with demand from the largest companies, the timely availability, accuracy and completeness of data will remain problematic. The companies most affected by limitations in data are likely to be smaller companies, which have less influence over entities in their value chain, those with large proportions of their supply base overseas, particularly in countries with no emissions disclosure requirements of their own, and those with many very small suppliers or customers. This limitation of availability is not restricted to unlisted companies but applies to quoted companies too.
33. We do not propose, however, that this should result in the government recommending against such disclosure. Companies cannot wait for perfect data to become available to be available to start reporting particularly as it is the call for such data which will drive improvement in its availability. However, such disclosures must make clear uncertainty in the accuracy and reliability of the data.
34. As a result of this current lack of information very substantial parts of scope 3 information produced at present are calculated from estimates based on data available at the level of the reporting company. Such estimates are based on conversion factors based on spend by the purchasing company or volume or mass of goods purchased. This situation will continue even after mandatory reporting is introduced.
35. Given both widespread estimation and different sources for the conversion factors noted in the paragraph above, it is likely that data produced on this basis will lack

comparability. This will make scope 3 data less useful to the primary users of financial statements.

36. Government may wish to consider expanding the standardised list of conversion factors for common energy or carbon intensive inputs provided in the greenhouse gas conversion factors and encouraging the use of these. This would have the potential both to greatly simplify the data collection process and to make data more comparable. Companies which believe they have better data or wish to demonstrate that they have more efficient suppliers could choose not to use the standardised approach or possibly disclose both emissions based on the standard factors and on their own calculated basis in a similar manner to the disclosure of location-based and market-based electricity emissions.
37. Such a standardised approach would be particularly valuable if the government were considering obliging smaller companies, such as those currently obliged to produce data under the energy and carbon reporting regulations applicable to “large” unlisted companies, to produce scope 3 data. We note, however, that we would not be in favour of a requirement to produce scope 3 data for companies of this size at this time and have suggested above in para 14 that the threshold for producing scope 1 and 2 data should be increased in the short term.

The multiple counting issue

38. The GHG protocol defines scope 3 emissions as “all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
39. It is intrinsic to this definition that the same emissions are likely to appear in the scope 3 data for multiple companies and have the potential to be counted multiple times in the process. Most obviously take a case where entity A supplies entity B and entity A includes downstream emissions in its scope 3 data. If entity B reports a proportion of entity A’s scope 3 emissions in its own scope 3 emissions this part of its own emissions will be counted twice. This applies both vertically and across a value chain as, for example, a car company’s downstream emissions will also be included in the upstream emissions of companies who employ their customers.
40. Because of this it is important to recognise that simply aggregating scope 3 disclosures through a value chain may not produce meaningful information. In order to develop methods to deal with this it is important that scope 3 information is appropriately disaggregated at the very least into upstream and downstream elements and that it is not simply added to scope 1 and 2 information. This is particularly important for data collected for the purpose of the third use in para 5 above and particularly for category 15; “invested” emissions.

Summary of proposals

In this submission, we have made a number of proposals. In our view, the Government should consider:

41. Ensuring the purpose and users of information produced by companies are explicitly considered when drawing up reporting requirements, including consideration of the extent and location of such disclosure.
42. Raising the threshold for mandatory disclosure of energy and carbon information in annual reports for unquoted companies to the same threshold as that for climate-related financial disclosures, and substantially increasing the “low use threshold from its current level of 40MWh.

43. Introducing the requirement for Scope 3 emissions for quoted companies initially, followed by a widening of scope to include the largest privately held and AIM companies.
44. Widening existing requirements to report under climate-related financial disclosures or, if incorporated into UK legislation by that stage, IFRS S2, to include scope 3 reporting (but not lowering this threshold). We believe that any emissions reporting system for the UK should start with the requirements of IFRS S2 and any reliefs relating to proportionality and materiality applied to scope 3 reporting should not be inconsistent with those in IFRS S2.
45. Encouraging or requiring a default position of simplifying the calculation or estimation methodology of scope 3 reporting through development of an expanded standardised list of conversion factors.
46. Requiring transparent disclosure of the methodology and uncertainties in estimation of scope 3 figures.
47. Exempting companies below the threshold for reporting on climate related financial disclosures from the requirement to produce an energy and carbon report in their annual report.
48. Developing a government portal for recording climate relating information by companies below the climate-related disclosure threshold, if the government deems information for such companies is necessary.
49. Mandating the use of the GHG protocol for determining Scope 3 emissions in line with IFRS S2.

Further discussion

If you would find it helpful to discuss any issues in this letter, please contact Andrew Jones, Director, Head of Narrative Reporting (andrew.jones@mazars.co.uk).

Yours faithfully

Mazars LLP
Mazars LLP

Appendix - Answers to specific questions

Call for Evidence questions

We set out below our responses to the questions in the call for evidence, both from the perspective of Mazars as a preparer of sustainability reports and from our role as advisors and assurance providers. We have responded only to those questions for which we have meaningful comments to make.

Chapter One

General Questions

1. What is your company number? If you work for an LLP, please state so here.

Mazars is an LLP with company number OC308399.

2. Where applicable, what percentage of your supply chain is within the UK, within the EU (European Union), outside of the UK and the EU?

Our engagement with our supply chain is a work in progress and we do not currently have this information.

3. What is your role in relation to company reporting? For example, are you a reporting entity, a company within the supply chain of a reporting entity, an investor and/or a user of accounts, contracted to report on behalf of a reporting entity, part of a consultancy firm, or part of a voluntary reporting scheme?

We have a dual role as both a reporting entity and a professional services firm providing services to clients in respect of their reporting.

4. What role does Scope 3 emissions reporting currently play in your organisation? If your organisation does report its Scope 3 emissions, which Scope 3 emissions categories are you currently reporting on and why? Is this on a voluntary or mandatory basis? Please state whether you have done so in the past and, if you no longer report Scope 3 data, why.

We currently report on all material Scope 3 emission categories, being categories 1 – 9. We do not report on the remaining categories because these are not pertinent to our business model; since we sell professional services there are limited emissions associated with the processing, use, or end-of-life treatment of our products. Neither do we operate downstream leased assets, franchises, or have significant investment-related emissions.

Chapter Two

General questions

5. Do you agree or disagree with the ISSB's assessment of the value of Scope 3 information?

We agree with the ISSB's assessment of the value of Scope 3 information in relation to transition risk and cross-comparability of reporting.

Please note our comments on this question in paragraphs 8-10 of the accompanying response letter.

6. In general, what is your view on the approach to Scope 3 reporting contained within IFRS S2? Please consider the ISSB's approach to materiality in your answer.

We agree with the approach to Scope 3 reporting contained within IFRS S2.

Please note our comments on this question in paragraphs 23-26 of the accompanying response letter.

7. What is your view on the use of the GHG Protocol for the purposes of Scope 3 reporting within IFRS S2? Will this lead to comparable and consistent reporting that is useful for investors and users of accounts?

Please note our comments on this question in paragraphs 27-31 of the accompanying response letter.

8. Would using the ISSB's approach to Scope 3 reporting have knock-on consequences for your organisation that the Government should be aware of? For instance, you may wish to consider the interaction between IFRS S2 and any EU regulations, or other energy/emissions reporting requirements that your organisation may be impacted by.

As a member firm of Mazars Group which is based in Europe, we are experiencing first-hand the interplay between the CSRD and other reporting frameworks.

As Mazars Group, we have made the decision to conduct a comprehensive carbon footprint measurement exercise, across all three emission scopes and over one-hundred countries. This involves measuring each country's emissions in line with the GHG Protocol, and providing sufficient evidence to facilitate assurance-readiness, with a view to meeting the requirements of the CSRD.

As a UK entity reporting into this wider group structure, it is vital to us that the ISSB's approach to Scope 3 measurement aligns with the approach of the CSRD and other international reporting frameworks. This will generate efficiencies, enabling us to report to Group on the same information that is reported from a legal entity perspective in the UK.

A lack of alignment or a different measurement basis would produce a significant administrative burden for us, effectively compelling the measurement to be conducted

twice: once for Group reporting purposes and again for UK reporting. Not only would this be time-consuming and costly, but also confusing to our stakeholders.

9. Are there any additional emissions or energy-consumption related data that is not required within IFRS S2 that you believe is valuable for investors, users of accounts and other stakeholders?

No, please refer to paragraphs 18-21 of the accompanying response letter for further comments on energy and carbon reporting for supply chain purposes.

Scope 3 Emissions in the UK Reporting Landscape

Questions for reporting entities

10. What further guidance and support might be needed for your organisation, and organisations in your value chain, to report Scope 3 information in accordance with IFRS S2?

We think the government should establish principles on whether downstream emissions are relevant for service-based organisations. It is not clear to us that this is the case. If deemed relevant, we would expect the government to provide clear guidance on how to measure said emissions.

11. If your organisation does not already prepare Scope 3 information, how long would you need to build the capacity and capability to do so?

We currently prepare and report on Scope 3 information, so this question is not applicable.

Questions for investors and other users of accounts

12. How, if at all, do you expect to use the Scope 3 information that could be disclosed by businesses in accordance with IFRS S2? If you are an investor, how will this information influence your decision-making?

Not applicable

13. If you are a user of annual reports, which of the Scope 3 GHG emissions categories do you most value information on and why?

Please refer to paragraphs 11 onwards for comment on Scope 3 emissions and annual reports.

14. When making investment decisions, does the usefulness of Scope 3 data vary depending on the sector and the size of the reporting organisation?

Yes, the usefulness does vary. We feel that IFRS S2 addresses this appropriately.

Chapter Three

General questions

15. What are your views on the overall costs and benefits of Scope 3 reporting? Please be as specific as possible.

From a Mazars perspective, the most significant costs have been financial costs associated with the license fee for our carbon measurement tool, Ecometrica (£4,750), and the costs associated with man-hours spent on the calculation. As a rough estimate, the measurement of a complete Scope 3 footprint, including associated quality control, takes around 70 hours of consultants' time plus the cost of appropriate IT tools to facilitate the process plus substantial effort from the client to populate the tool with data.

To Mazars, the cost associated with Scope 3 measurement has been compensated by the benefits we have derived from the process. These benefits are multifaceted; firstly, we have better been able to meet the needs of stakeholders including customers, who are beginning to request information on our emissions from us. Our employees also appreciate the tangible commitments that we have made to decarbonisation, and we have found that this is becoming a requirement for attracting talent to our organisation.

Secondly, the process of engaging with our value chain has increased our visibility of the wider environment in which we operate, and this transparency brings business resilience in the face of potential disruptions due to climate change. We believe that this engagement with our value chain will be a future source of competitive advantage.

Finally, by calculating our Scope 3 footprint we have been able to identify reduction levers and commit to a carbon reduction plan in line with SBTi (Science Based Target Initiative). This has mitigated our potential exposure to transition risk and facilitated in the futureproofing of our organisational strategy.

16. What benefits could Scope 3 reporting bring to your organisation? Please be as precise as possible when explaining the basis of any benefits you provide. If you currently produce Scope 3 data voluntarily under SECR, please explain the benefits you have received and how they have changed over time.

The benefits derived from Scope 3 reporting have been discussed above.

17. What costs could Scope 3 reporting bring to your organisation? Where possible, please give a breakdown of each element of cost. Please be as precise as possible when explaining the basis of any costings you provide. If you do currently produce Scope 3 data voluntarily under SECR, please explain the costs you have incurred and how they have changed over time.

Costs are for the platform subscriptions which help us to gather relevant data, and for time costs associated with hours spent on the calculation. Platforms include Ecometrica, our carbon footprinting tool, Egencia, our business travel management platform, and SupplyShift, our supplier engagement platform.

The annual subscription fee for our carbon footprinting tool is £4,750, with our supplier engagement tool costing £18,000 for our own supplier engagement programme. On top of this, as detailed in question 15, it can take around 70 hours of consultants' time to deploy the tools, drive input, and quality assure data. This does not include time spent by the client to populate the tools data from their systems.

Questions for reporting entities

18. How are you approaching the issues around data availability in relation to Scope 3 reporting? Are you aware of any useful data sources, reporting tools, or resources (such as emissions factors) to help UK organisations report their Scope 3 emissions, and how are you tackling them?

We employ a carbon measurement tool containing over 180,000 emission factors and assumptions which are continually updated. The emission factors are georeferenced making them as accurate as possible using the latest climate science.

We are also using a supplier engagement platform to begin the process of collecting more granular data from our value chain on our purchased goods and services. The use of a tool facilitates the process of collecting data beyond Tier 1 suppliers.

19. What are, or do you anticipate being, the greatest barriers to producing consistent Scope 3 data?

The availability of data is a major challenge to us, and to many of the organisations we work with. Spend-based data is frequently the best interim solution until more granular data can be obtained, since organisations already collect high-quality spend data for financial reporting purposes. Proxies must be applied to this data to calculate associated carbon emissions, and the availability of proxies and consistent use of proxies across organisations and jurisdictions is a challenge. We have faced this problem as part of our calculation of Mazars Group's Scope 3 footprint, which has been a project spanning over 100 countries.

Similarly, we have found that lack of guidance on, and subsequent selection of non-supplier provided emission factors can also present a barrier to measuring consistent Scope 3 data. Currently, emission factors for Scope 3 activities can be taken from a variety of sources. We feel that a government-backed bank of emission factors will support organisations in measuring their Scope 3 carbon inventories. It is a strong belief of ours that the Scope 3 inventory accounting process will be dramatically improved with better guidance and access to credible emission factors. For UK-based clients of ours, this has been a clear issue.

20. If you currently voluntarily report your Scope 3 emissions, including through non-governmental frameworks such as CDP and SBTi, what effect has this had on your relationships with businesses in your supply chain?

The process of engaging with organisations in our supply chain is currently a work in progress. It has not been possible thus far to directly engage suppliers on emissions data, but measurement of our Scope 3 footprint has allowed us to create connections deeper in the supply chain than previously the case.

Scope 3 Emissions in the UK Reporting Landscape

Questions for smaller businesses in the supply chains

21. What impact could an increase in Scope 3 reporting by a larger reporting entity have on your organisation? What are the costs and benefits of Scope 3 reporting on smaller organisations within their supply chain? Please provide any evidence you have of these.

As a result of our customers being required to report on their emissions, we have received an influx of requests in recent months for information on the emissions associated with our services. These are often required as part of the tender process, but also pertain to our customers' CDP and EcoVadis questionnaires.

It must also be noted that the provision of this information necessitates a time-commitment from our own team.

22. If you currently supply data to a reporting entity to enable it to voluntarily report its Scope 3 emissions, has the cost to you of doing so reduced, stayed the same or increased over time? What effect has this had on your relationship with the reporting entity?

Our costs relate to the subscription fees we pay to platforms such as our carbon footprinting tool, as well as the internal resource employed to respond to such data requests. Given that the number of requests has been rising, and the data required is increasingly granular, the costs to us have increased over time.

Nonetheless, given the nature of our business, we regard these costs as a vital component of our license to operate, since without emission data our competitive advantage in tenders and our relationships with our existing customers could deteriorate.

23. What could the Government do to reduce the costs or increase the benefits of reporting for smaller businesses in the supply chains of entities that report on Scope 3?

Please refer to paragraphs 32-37 of the accompanying letter for further comments on governmental support for smaller businesses in the supply chains of entities that report on Scope 3?

24. If you supply data to a larger entity, what effect (including financial impacts) has this had on your organisation? We are particularly keen here to receive views from SMEs.

Not applicable

25. What benefits does robust Scope 3 reporting provide to stakeholders outside of the investment community?

Please refer to paragraphs 4-7 of the accompanying letter for comment on the benefits of Scope 3 reporting.

Chapter Four

General questions

26. Overall, do you think the SECR regulations are achieving their original objectives? If you do not think they are achieving the original objectives, or are partially achieving the objectives, please explain why.

We feel that SECR is ineffective in achieving its original objectives. Please refer to paragraphs 11-21 of the accompanying letter for further comment on SECR regulations.

27. Have there been any unintended effects of the SECR regulations that you think Government should consider? Please include whether there are any equality impacts to be taken into consideration.

Yes, please see paragraphs 11-21 for our further comments on this question.

28. Are the current SECR requirements targeted at the correct population of businesses (including LLPs)? If not, which types of businesses and of which size do you think the requirements should apply to? If you think that different requirements should apply to different populations of businesses, please specify.

No, please see paragraphs 11-21 for our further comments on this question.

29. SECR reporting is currently required within a company's annual report. Would it be more appropriate to report on SECR in another document or format?

Please see paragraphs 11-21 for our further comments on this question.

30. How can the government streamline current energy and emissions reporting requirements for organisations in scope of SECR while still meeting the SECR objectives?

Please see paragraphs 11-21 for our further comments on this question.

31. Under the existing SECR framework, there are different reporting requirements for quoted companies and unquoted companies/LLPs. Are these differing requirements appropriate? If not, what reforms would you suggest?

We do not see this as being appropriate. Please see paragraphs 11-21 for our further comments on this question.

32. What resources do you currently use to comply with SECR (e.g., ERG guidance, conversion factors, the GHG Protocol, etc) and do you feel these are sufficient? If these are not sufficient, what do you think is missing?

We derive SECR emission factors from our carbon footprinting tool.

33. What benefits has compliance with the current SECR regulations had for your organisation?

In line with our organisational values, we have aimed to exceed SECR requirements.

34. What are the costs (monetised costs and FTE (Full Time Equivalent) equivalent) of reporting under the current SECR framework for your organisation? Please provide quantitative costs or estimates if possible.

We are not able to provide monetised costs but estimate that reporting against SECR requires a week's worth of time for 1 FTE.

35. If your organisation reports under SECR, has the information that you have collected and reported led you to, or helped you to, reduce your energy consumption and/or carbon emissions? If so, how? Please provide energy and emissions reductions data where that is possible.

Please refer to question 33.

36. Are you aware of the option to use SECR taxonomy for your reports? If so, please provide information on whether you have used the taxonomy or plan to.

We have not used the SECR taxonomy to date.

37. Have you experienced any overlap between the SECR regulations and other Government-led reporting requirements? Please include details of any additional voluntary or regulatory schemes you are in scope of, and the extent in which you consider the data and evidence being reported to be a duplication. Questions for investors and other users of accounts

We report voluntarily in our Sustainability Report against the GRI Standards, and information from our SECR report is incorporated into this.

We have also prepared a CRP according to the requirement set out in the Procurement Policy Note (PPN) 06/21 by UK government. Our future tendering process will be benefited from the CRP as it is required by all Central Government Departments and public bodies conducting procurement procedures with contracts value of >£5 million per annum, as well as some private sectors.

38. If you are an investor, has the information businesses report or will report under SECR affected your investment decisions? If so, how?

Not applicable

39. Have you used the information businesses report under SECR to hold those businesses to account for their emissions or energy consumption? If so, how?

Not applicable