The green audit:

evidence from the 2021 UK audit season

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Summary

Growing concerns about the impact of climate-change on business performance have increased demand for greater climate-related disclosures at large companies. The quality of

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those disclosures, however, relies on the seriousness and efficacy of the audits that underpin them. To what extent do auditors treat the impact of climate change on multinational company balance sheets as part of their role?

To answer this question, we examined the audit reports of all FTSE 100 companies at the end of 2021 to determine whether their auditors included climate-related issues within the *scope* of their audit work in that year. Whether climate risks were deemed in scope or not, we examined whether an audit *opinion* was expressed on the impact of climate related matters on the financial statements, and whether that impact was deemed to be *material* or not.

The main findings of this research are:

- Thirty-nine (39%) per cent of auditors did not refer to climate related change as an issue of concern when stating the scope of their audit work in 2021.

- Thirty-six per cent (36%) of auditors expressed an opinion on the impact of climate change on the financial statements (accounts) of the companies that they were auditing in 2021.

- However, just two audit opinions in 2021 considered climate-related issues to be of significance. These were of Persimmon plc, where issues relating to flooding risk were discussed and noted as not creating a risk, and Meggitt plc, where issues relating to obligations for mine reinstatement remediation in the USA were noted but were considered to be adequately provided for because an adverse opinion was not given.

- The auditor who most often treated climate-related risks as outside the scope of their audit work was KPMG: fifty per cent (50%) of their audits make no reference to the issue when they were detailing the scope of the work undertaken.

- PWC included climate-related issues within the scope of their work more often than any other auditor. Seventy-eight per cent (78%) of their audit reports refer to climate or the environment as within the scope of the work that they undertook.

- Amongst the Big 4 audit firms, EY were most likely to ignore climate change related issues when offering their audit opinion, doing so in seventy-one per cent (71%) of all their audit reports. This was marginally greater than Deloitte, who did so in sixty-nine per cent of their audit reports (69%). Outside the Big Four, BDO, also ignored climate change when offering their audit opinion in the one report they audited (Endeavour Mining plc), even though climate risks were referred to extensively in the annual report.

- The audit firm most likely to refer to climate change related issues when reporting their opinion on financial statements was PWC, who did so in forty-eight per cent (48%) of their audit opinions. This does, however, mean that no auditor in 2021 commented on climate change related issues in a majority of their audit reports.

- Thirty-four of the thirty-six audit opinions that referred to climate change related issues in 2021 dismissed the issue as immaterial to the audit opinion offered. The main reasons for dismissing the issue as immaterial were:

    - The issue was beyond the scope of the audit (the most common opinion supplied).
    - The effects of climate change were not material within the period analysed by the audit;
    - The identified climate-risk to the carrying value of assets, whether tangible (e.g. plant and equipment) or intangible (e.g. goodwill) was considered to be amply accommodated within the valuation margins available, meaning the risk of additional impairments being required was small, and so was dismissed;
    - The issue was simply immaterial.

- The auditors who considered climate-related issues to be sufficiently material as to require an opinion in their report were EY and PWC. Deloitte and KPMG did not do so in the year.

- The sectors where climate issues were least likely to be referred to in the scope of audit work were water companies and paper and packaging companies. No auditor assessing these sectors reported climate change as within scope of their audit work and none issued climate change related audit opinions.

- The sectors where climate change was most likely to be dismissed as immaterial were telecoms, real estate letting, retailing, software and general manufacturing and distribution. No auditor reported an opinion on any climate changes issue in any of these sectors.

- The sector where climate change issues were most likely to be reported was oil and gas, where all audit reports included an auditor opinion, although there were only two of these companies in the FTSE100. After oil and gas companies, tobacco, banks, mining and professional services companies were the most likely to have an audit opinion related to climate change expressed, with at least two thirds of audit reports on companies in these sectors referring to climate change related issues.

- In conclusion we argue that auditors are failing in their duty to take climate change seriously. The FTSE 100 accounts for 40 per cent of UK climate emissions on a consumption basis, but auditor opinions deem this to be largely immaterial when presenting their audit reports: the 34 audit reports that explicitly state the issue to be immaterial cover 85 per cent of FTSE 100 emissions and one third of total UK emissions on a consumption basis.

In general, the audit reports issue provide little indication of a:

- Concern about climate change;

- Willingness to indicate the need to address issues relating to climate change within financial reporting;

- Willingness to bring climate change within the scope of the audit role, or

- The adoption of consistent approaches to climate change within audit firms.

We argue that:

- A Financial Reporting Standard on this issue is required;

- So too is a related auditing standard;

- The audit profession and their clients need to transform their approach to this issue if stakeholders are to receive the assurances they need that the FTSE 100 are taking their responsibility for climate change seriously.

Background

A new international agreement on the need to address climate change was reached in Glasgow in November 2021 at the COP 26 summit[7]. In anticipation of this the UK government announced that it would require mandatory disclosure of reporting on climate change by UK public interest entities[8] from April 2022[9]; a promise dropped in May 2022[10], although a long-term commitment is said to remain.

At the same time, the accounting standard setting body - the International Financial Reporting Standards Foundation (IFRS) - launched the International Sustainability Standards Board[11] (ISSB) whose purpose is to produce universal climate reporting standards. The ISSB, it is suggested[12], will base its work on the requirements of the Task Force on Climate-related Financial Disclosures[13] (TCFD). The ISSB has now published its first draft standards[14].

As a consequence, 2021 may by the last financial year that UK public interest entities are not required by mandate to report the impact of climate change. It might reasonably be expected, therefore, that auditors might be alive to the issue of climate risks in anticipation of the forthcoming ISSB mandates. It is this expectation that informs our approach in this report.

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7 https://ukcop26.org/

8 Essentially quoted companies and some non-quoted finance entities

9 https://www.gov.uk/government/news/uk-to-enshrine-mandatory-climate-disclosures-for-largest-companies-in-law

10 https://www.ft.com/content/2c5acee3-e900-4b2e-853d-85b10e13629c

11 https://www.ifrs.org/groups/international-sustainability-standards-board/

12 https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/

13 https://www.fsb-tcfd.org/

14 https://www.ifrs.org/news-and-events/news/2022/03/issb-delivers-proposals-that-create-comprehensive-global-baseline-of-sustainability-disclosures/

Purpose

The purpose of this report is to:

- Survey the audit reports issued on FTSE company's 2021 financial statements;
- Determine the apparent significance of climate change to companies and their auditors, based on the comments included in those audit reports;
- Highlight variations in approach to this issue:
  - Within and between sectors;
  - Between auditors;
  - Within audit firms.
- Highlight the matters of climate concern raised by auditors in their formal opinions, and consider what is ignored; and thus provide an assessment of auditor's treatment of climate risks and whether they are serious and effective.
- Suggest how mandatory reporting might change behaviour in coming years.

Methodology

The audit reports of all members of the FTSE 100 at the close of 2021 issued for periods ending in that year were used as the sample basis for the research that underpins this report.

The audit reports in question were searched to highlight all references made in them to issues relating to climate change and carbon risk.

The following were then noted:

- The company;
- The auditor;
- The sector in which the company operates;
- References made by the auditor to climate change and carbon risk when setting out the scope of their audit work;
- The opinion of the auditor, noting whether:
  - They offered no opinion;
  - They suggested it immaterial to their opinion;
  - They suggested that the matter was material in forming their view.
- The content of each report was also noted.

In addition, the following were noted:

- The carbon emissions reported by the company;
- The company's reported market worth.

Findings

Data for all the FTSE 100 companies surveyed, highlighting issues noted in the previous section, is noted in appendices 1, 2 and 3 to this report.

a. The number of audits in which the auditor did not refer to climate change when stating the scope of their work

The following table indicates the number of audit reports, by form, in which the auditor did not consider the issue of climate change or carbon risk in suggesting the scope of their audit work:

Table 1

	Referred to in engagement scoping		Total	Percentage of engagements in which climate change is not referred to	Percentage of engagements in which climate change is referred to
	No	Yes		%	%
BDO	1	0	1	100.0	0.0
Deloitte	9	14	23	39.1	60.9
EY	9	12	21	42.9	57.1
KPMG	14	14	28	50.0	50.0
PWC	6	21	27	22.2	77.8
	39	61	100	39.0	61.0

The variance shows marked discrepancies between different audit firms. KPMG only refer to climate change in describing the work undertaken in half of its audit engagements compared with PWC who do so in 78% of its audit reports.

b. The number of audit reports in which the auditor offered an opinion about climate change

There is a further dimension to this. An auditor can mention climate change as an issue within the *scope* of their work without offering an *opinion* on that issue when presenting their conclusions. This table summarises the number of audit reports where the auditor did not mention climate change /carbon risk when offering their opinion, and then splits the remaining reports between those when:

- they did offer opinion between those where they thought the issue immaterial, or of insignificant consequence to the users of the accounts in question, and
- those where the matter required further discussion because of its materiality:

Table 2

	Percentage of audit reports in which climate change / carbon risk is referred to in the opinion section of the audit report, and the type of conclusion reached			Number of audit reports in which climate change / carbon risk is referred to in the opinion section of the audit report, and the type of conclusion reached		
	Not noted	Not material	Material	Not noted %	Not material %	Material %
BDO	1	0	0	100.0	0.0	0.0
Deloitte	16	7	0	69.6	30.4	0.0
EY	15	5	1	71.4	23.8	4.8
KPMG	18	10	0	64.3	35.7	0.0
PWC	14	12	1	51.9	44.4	3.7
	64	34	2	64.0	34.0	2.0

This in turn gives rise to the following table of the number of occasions when the auditor felt it worth mentioning that climate change or carbon risk had been within the scope of their audit considerations but then, for whatever reason, decided that they did not need to refer to the issue again when offering their conclusions arising from that work:

	Number of audits where climate change or carbon risk is noted within the scope of the audit engagement	Percentage of audits where climate change or carbon risk is noted within the scope of the audit engagement but

	but not in the audit conclusion	not in the audit conclusion
		%
BDO	0	0.0
Deloitte	7	30.4
EY	7	33.3
KPMG	5	17.9
PWC	8	29.6
Total	27	27.0

The numbers do not quite reconcile. This is because in two cases the auditors imply that the issue is, in their opinion, not material having previously noted that it was not within the scope of their audit work.

c. The nature of comments made in audit reports

We read the comments related to climate-risk in all audit reports to break down the explanations given for particular audit opinions. Based on that exercise the following were determined to be the primary reasons for auditors commenting as they did:

Specific issues were referred to by the auditors	2
The auditors referred to Task Force on Climate-related Financial Disclosures that were beyond the scope of their work	15
More generically, climate related issue were referred to in ways that made them outside the specific scope of the auditor's work	17
Climate change was not a short-term risk to the reporting entity and as such did not create an audit issue	7
The only identified audit risk related to scope 3 emissions and were not of concern	1
The identified audit risk was to the carrying value of assets, whether tangible (e.g. mines) or intangible (e.g. goodwill) and there was considered to be ample margin available to mean that the risk of additional impairment being required was small	18

There was no identified material impact from climate change related issues	22

The first group of explanations, noted in the first row, relates to the two companies where specific references to climate related issues were made by the auditors, but then stated to be immaterial.

The matters referred to in the second and third group of explanations were treated as mutually exclusive i.e. an explanation was treated as being capable as being in or other of those groups but not both. Otherwise, it was presumed possible for an audit report to refer to matters covered by more than one of the remaining explanations simultaneously, although it was relatively uncommon that they did so. However, as a result the figures noted do not directly reconcile in total with previously provided data.

Commentary with regard to these reasons (excluding the first two, which are dealt with in another section) is as follows:

- Many, if not most, auditors are seeking to limit their liability with regard to this issue and so are keen to make clear that they do not have responsibility for reporting on it whenever that is possible. This is neither useful for stakeholders of the reporting entities on whose accounts they report, or as an indication of their own willingness to engage on a key issue of the moment[15].

- Some auditors use going concern reporting to justify their opinion on climate change. However, in this context they claim that for audit purposes the going concern assessment relates only to a reporting entity considered capable of trading for a period of twelve months beyond the balance sheet / audit report date. Since climate change is inherently a longer-term issue, this by default means that this approach means that climate change related issues do not fall within the going concern period that is of audit concern, eliminating their responsibility as a consequence.

- Other auditors appeared to take the view that climate change is merely an issue of financial provisioning that might be required to reduce the carrying cost of existing assets under the control of the reporting entity. They argue that as long as there is a significant surplus of value in such assets at present, including in the value of intangible assets, then climate change cannot be an issue of concern to them. This

[15] We consider the stakeholders of a company to be its shareholders, other suppliers of capital, trading partners, employees, regulators, tax authorities and civil society in all its forms. Accounting standards only consider the suppliers of capital to be stakeholders. This, in itself, is a problem.

is, for example, the case for oil companies, where extensive reviews of issues lead to the conclusion that these companies have appropriate systems and valuation models in place despite significant expert opinion being expressed elsewhere that contradicts this view[16].

- The apparent dismissal of the relevance of scope 3 emissions in one case (by KPMG in the case of Abrdn plc) was surprising.

- In general, the issue of climate change was treated as an issue beyond the limits of financial accounting and so audit in the year and if it was of concern (and in the accounts of most of the reporting entities reviewed that was clearly the impression supplied) then this was an issue for the directors to consider but the issue did not have impact on the accounts.

As noted, there were two exceptions where climate related issues were specifically noted. These were in the cases of:

- Persimmon plc, audited EY, by where issues relating to flooding were discussed and noted as not creating an audit risk, and;

- Meggitt plc, audited by PWC, where issues relating to obligations for mine reinstatement remediation in the USA were noted, and were presumably considered adequately provided for as adverse opinion was not given.

d. Sector analysis

Considering the results by sector produced this data:

Table 3

Sector	Number in sector	Percentage noted in audit scope of work	Percentage not noted in audit report	Percentage considered not material in audit report	Percentage considered material in audit report

[16] See, for example, https://carbontracker.org/oil-companies-must-plan-for-major-production-drop-by-the-2030s-to-meet-1-5c-paris-target/

Containers & Packaging	2	0	100	0	0
Water Utilities	2	0	100	0	0
Trading Companies & Distributors	5	20	100	0	0
Telecoms	3	33	100	0	0
Equity Real Estate Investment Trusts (REITs)	3	33	100	0	0
Retailing	9	33	100	0	0
Software	3	33	100	0	0
Hotels, Restaurants & Leisure	5	40	80	20	0
Homebuilding	4	50	75	0	25
Conglomerates	4	50	75	25	0
Interactive Media & Services	2	50	50	50	0
Tobacco	2	50	0	100	0
Professional services	3	67	33	67	0
Capital markets	7	71	86	14	0
Media	4	75	50	50	0
Pharmaceuticals	4	75	50	50	0
Others	13	77	38	62	0
Insurance	5	80	60	40	0
Metals & Mining	6	83	33	67	0
Aerospace	3	100	33	33	33
Banks	5	100	20	80	0
Beverages	2	100	100	0	0
Electricity	2	100	50	50	0
Oil and gas	2	100	0	100	0
	100	Average	64	34	2

A number relating to retailing were combined to produce this summary. Thirteen companies remained outside a sector with another constituent member after doing so and were as a result treated as being in the 'other' category.

The following points are highlighted:

- In two sectors climate concerns are not considered at all. Given that they relate to areas most think to be environmentally sensitive, being the water and packaging sectors, this is unsatisfactory.

- In a further five sectors the issue of climate change is not referred to at all in audit report conclusions. This is again unsatisfactory: included in this group is the retail sector where the issue of scope 3 emissions[17] is material in all cases. Real estate investment companies also fall into this group. Since building use is thought to be major contributor to climate change this omission is, again, unacceptable. So too is the fact that general trading and distribution companies include no reference to climate change in their audit reports. It is as if manufactured goods have no climate consequences.

- Other sectors with a surprisingly low number of references to climate change include homebuilders, where there is growing pressure on environmental performance.

- Overall, the auditing of financial services firms is also unsatisfactory. Banks have done better than many sectors, with the auditors of all the banks in the FTSE 100 saying their audit included work on climate risk. However 80 per cent of auditors say that they found the issue to be immaterial (HSBC being the exception, where no conclusion was noted). In capital markets, the issue was very different, with six out of the seven audits making no reference to the issue in their audit conclusions. In insurance, despite the long-term nature of the commitments being made by companies, one audit made no reference to the issue of climate risk in the scope of the audit work being undertaken and in three out of five cases no reference was made to the issue of climate change in the audit opinion offered.

[17] There are three types of emission as defined by the Greenhouse Gas Protocol. Scope 1 is produced by the entity during its activities. Scope 2 represents the emissions included in the energy that the entity buys in to undertake its activities. Scope 3 emissions are those emissions that are produced by others as a consequence of the activities of the reporting entity.

- In just one sector, which was oil and gas, was there a 100 per cent record of the climate risk noted in the scope of the audit work, with an audit opinion provided. There are, however, just two FTSE companies in the sector (BP and Shell).

What appears of greatest significance is the number of audits where no reference is made to climate change issues. It is hard to see how auditors cannot now think this issue sufficiently material to any company or the users of their financial statements. That they did not do so to the extent of not requiring that it be referred to in the planning of the audit engagement in sectors such as aerospace, metals and mining and pharmaceuticals appears to be a failure on their part.

e. Emissions analysis

UK carbon emissions in 2018 were estimated to be 700 million tonnes on a consumption basis. The reported emissions of FTSE 100 companies in the same year were 282.8 million tonnes, equivalent to 40% of the UK carbon emissions consumption total[18].

One a positive note, whilst only 61% of audit reports mentioned climate change in the FTSE 100 those companies accounted for 90.3% of FTSE 100 carbon emissions, based on 2018 data.

Table 4

	Percentage of engagements in which climate change is not referred to	Percentage of engagements in which climate change is referred to
	%	%
FTSE 100	39.0	61.0
Share of FTSE 100 CO2 emissions	9.7	90.3

18 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/979588/Defra_UK_carbon_footprint_accessible_rev2_final.pdf

Unfortunately, the share of audit reports in FTSE 100 noting that carbon risk is not material

	Percentage of audit reports in which climate change / carbon risk is referred to in the opinion section of the audit report, and the type of conclusion reached		
	Not noted %	Not material %	Material %
FTSE100	64	34	2
Share of FTSE 100 CO2 emissions	15	85	Neg

(34 companies) accounted for 85% of total FTSE 100 carbon emissions, meaning that they also represented one third of all UK carbon emissions consumption)

Table 5

The unavoidable conclusion is that the audit opinions reached are open to doubt.

Conclusions

The unavoidable conclusion from this work is that by adopting their current approach to climate change related issues the auditors of FTSE 100 companies are failing the users of the financial statements of their clients. That approach either appears to explicitly ignore climate related issues or, to use accounting terminology, dismisses them as immaterial,. When climate change is widely recognised as the greatest threat currently facing the world[19] this appears to be a negation of the audit responsibility of those firms engaged to offer opinion upon the financial statements of FTSE 100 companies.

The reasons auditors might have for not commenting on climate related issues have to be deduced from the comments that they did make in audit reports in 2021, almost all of which appear to be intended to limit their liability with regard to this issue. A number of excuses appear to be offered by auditors for adopting this approach.

Firstly, one of the most common reasons for not commenting appears to be the willingness of auditors to dismiss the future consequences of the current actions of their clients. They do this by literally discounting those events that might happen more than twelve months after the date of the audit opinion being formed as if they are of no current concern. The

[19] As reflected in COP 26 in 2021

passage of time is, of course, fundamental to the process of accounting. Financial statements are prepared for periods of time that are, by definition, in the past. However, the requirement that an auditor appraise the ability of their client to continue as a going concern necessarily requires that the future as well as the past be considered by the auditor when forming their opinion. Despite this many auditors appear to be making use of an artifice, which is the pretence that going concern need only be considered for a period of twelve months after the date of the audit opinion, to suggest that matters arising thereafter are of no concern to them. That, however, does not prevent them considering the nature of other long-term liabilities arising well into the future when forming their audit opinion on matters such as contractual obligations for decommissioning and remediation in energy and mining companies, and this exclusion of similar concern arising with regard to climate related issues does, therefore, appear incongruous.

Second, there appears a willingness to ignore potential claims arising from beyond the boundaries of the corporation as defined for the purposes of accounting. This is reflected in the dismissal, explicitly noted in one case but seemingly commonplace in others, of what are called Scope 3 climate emissions. These are the climate emissions that are produced by third parties to the organisation on which auditors is explicitly reporting but which arise as a consequence of that reporting entity's activities. This audit approach represents a very narrow view of the likely responsibility of corporations in the light of developing law on such issues that would suggest that Scope 3 emissions can create liabilities for companies even if they occur beyond the boundaries of what is usually described as the calculable space of the corporation[20].

Third, auditors would appear to be engaged in regulatory arbitrage when seeking to avoid their liability for reporting on these issues. By either noting that the directors of the entity on whose financial statements they are expressing opinion are reporting separately on climate related issues, most notably through use of Task Force on Climate-related Financial Disclosures, or are reporting on climate related issues within the narrative notes within the financial statements that are not specifically within the scope of the audit, the auditors seek to exclude their responsibility for this issue as if that other disclosure absolves them from considering the issue further. This would appear to be game playing on the part of auditors on an issue of great significance that they should now accept the responsibility to address.

The result of these actions by auditors is that they, their clients, and the financial statements they produce are failing to tackle the issues arising from climate change as they impact on the corporate sector. Unless this changes, and auditors and their clients accept

[20] The calculable space defines the transactions falling within the scope of the financial statements.

responsibility for this issue it is not clear how issues relating to climate change can be properly addressed by the UK corporate sector in the future at potential cost to us all.

Appendix 1 Companies where no reference to climate change is made by the auditors.

Company Name	Auditor	Company Market Capitalization End 2021.	Industry Name	Sub-Industry Name
Ashtead Group PLC	Deloitte	26,492.23	Trading Companies & Distributors	Trading Companies & Distributors
Associated British Foods PLC	EY	15,896.82	Food Products	Packaged Foods & Meats
Auto Trader Group PLC	KPMG	7,015.45	Interactive Media & Services	Interactive Media & Services
AVEVA Group PLC	EY	10,263.63	Software	Application Software
B&M European Value Retail SA	KPMG Luxembourg Societe Cooperative	6,347.78	Multiline Retail	General Merchandise Stores
Barratt Developments P L C	Deloitte	7,648.56	Household Durables	Homebuilding
Berkeley Group Holdings PLC	KPMG	5,351.73	Household Durables	Homebuilding
British American Tobacco PLC	KPMG	62,725.28	Tobacco	Tobacco
British Land Company PLC	PWC	4,921.47	Equity Real Estate Investment Trusts (REITs)	Diversified REITs
BT Group PLC	KPMG	16,818.84	Diversified Telecommunication Services	Integrated Telecommunication Services
Burberry Group PLC	EY	7,313.25	Textiles, Apparel & Luxury Goods	Apparel, Accessories & Luxury Goods

Compass Group PLC	KPMG	29,456.96	Hotels, Restaurants & Leisure	Restaurants
DCC PLC	Ernst & Young	5,966.63	Industrial Conglomerates	Industrial Conglomerates
Dechra Pharmaceuticals PLC	PWC	5,770.42	Pharmaceuticals	Pharmaceuticals
DS Smith PLC	Deloitte	5,272.94	Containers & Packaging	Paper Packaging
Electrocomponents PLC	PWC	5,679.99	Trading Companies & Distributors	Trading Companies & Distributors
Endeavour Mining PLC	BDO LLP	4,014.93	Metals & Mining	Gold
Experian PLC	KPMG	33,519.04	Professional Services	Research & Consulting Services
Ferguson PLC	Deloitte	28,900.61	Trading Companies & Distributors	Trading Companies & Distributors
Flutter Entertainment PLC	KPMG	20,653.63	Hotels, Restaurants & Leisure	Casinos & Gaming
Halma PLC	PWC	12,148.65	Electronic Equipment, Instruments & Components	Electronic Equipment & Instruments
Hargreaves Lansdown PLC	PWC	6,427.02	Capital Markets	Asset Management & Custody Banks
Howden Joinery Group PLC	Deloitte	5,335.16	Trading Companies & Distributors	Trading Companies & Distributors
Informa PLC		7,765.08	Media	Advertising
Intermediate Capital Group PLC	EY	6,374.72	Capital Markets	Asset Management & Custody Banks

International Consolidated Airlines Group SA	KPMG	7,068.89	Airlines	Airlines
J Sainsbury PLC	EY	6,434.00	Food & Staples Retailing	Food Retail
JD Sports Fashion PLC	KPMG	11,234.42	Specialty Retail	Specialty Stores
Land Securities Group PLC	EY	5,756.83	Equity Real Estate Investment Trusts (REITs)	Diversified REITs
Legal & General Group PLC	KPMG	17,761.99	Insurance	Life & Health Insurance
Ocado Group PLC	Deloitte	12,610.64	Food & Staples Retailing	Food Retail
Scottish Mortgage Investment Trust PLC	PWC	19,338.90		
Severn Trent PLC	Deloitte	7,375.93	Water Utilities	Water Utilities
Smiths Group PLC	KPMG	6,204.49	Industrial Conglomerates	Industrial Conglomerates
Smurfit Kappa Group PLC	KPMG	10,543.34	Containers & Packaging	Paper Packaging
United Utilities Group PLC	KPMG	7,425.76	Water Utilities	Water Utilities
Vodafone Group PLC	EY	30,510.46	Wireless Telecommunication Services	Wireless Telecommunication Services
Whitbread PLC	Deloitte	6,049.87	Hotels, Restaurants & Leisure	Hotels, Resorts & Cruise Lines

Appendix 2 - Companies where climate change is considered by the auditor.

Company Name	Auditor Details	Company Market Capitalization End 2021.	Industry Name	Sub-Industry Name
3i Group PLC	KPMG	14,101.82	Capital Markets	Asset Management & Custody Banks
Abrdn PLC	KPMG	5,253.37	Capital Markets	Asset Management & Custody Banks
Admiral Group PLC	Deloitte	9,456.94	Insurance	Property & Casualty Insurance
Airtel Africa PLC	Deloitte	5,024.65	Wireless Telecommunication Services	Wireless Telecommunication Services
Anglo American PLC	PWC	40,049.14	Metals & Mining	Diversified Metals & Mining
Antofagasta PLC	PWC	13,195.69	Metals & Mining	Copper
AstraZeneca PLC	PWC	134,456.99	Pharmaceuticals	Pharmaceuticals
Avast PLC	EY	6,298.82	Software	Systems Software
Aviva PLC	PWC	15,463.40	Insurance	Multi-line Insurance
BAE Systems PLC	Deloitte	17,401.82	Aerospace & Defense	Aerospace & Defense
Barclays PLC	KPMG Audit LLP	31,367.61	Banks	Diversified Banks
BP PLC	Deloitte	65,243.61	Oil, Gas & Consumable Fuels	Integrated Oil & Gas
Bunzl plc	PWC	9,733.96	Trading Companies & Distributors	Trading Companies & Distributors

Coca Cola HBC AG	PricewaterhouseCoopers SA	9,348.77	Beverages	Soft Drinks
CRH PLC	Deloitte Ireland LLP	30,055.88	Construction Materials	Construction Materials
Croda International PLC	KPMG	14,119.29	Chemicals	Specialty Chemicals
Diageo PLC	PWC	93,908.87	Beverages	Distillers & Vintners
Entain PLC	KPMG	9,871.69	Hotels, Restaurants & Leisure	Casinos & Gaming
Fresnillo PLC		6,578.99	Metals & Mining	Precious Metals & Minerals
GlaxoSmithKline PLC	Deloitte	80,841.05	Pharmaceuticals	Pharmaceuticals
Glencore PLC	Deloitte	49,466.91	Metals & Mining	Diversified Metals & Mining
Hikma Pharmaceuticals PLC	PWC	5,136.94	Pharmaceuticals	Pharmaceuticals
HSBC Holdings PLC	PWC	91,084.80	Banks	Diversified Banks
Imperial Brands PLC	EY	15,298.69	Tobacco	Tobacco
InterContinental Hotels Group PLC	PWC	8,797.82	Hotels, Restaurants & Leisure	Hotels, Resorts & Cruise Lines
Intertek Group PLC	PWC	9,086.43	Professional Services	Research & Consulting Services
ITV PLC	KPMG	4,450.09	Media	Broadcasting
Kingfisher PLC	Deloitte	7,025.44	Specialty Retail	Home Improvement Retail
Lloyds Banking Group PLC	Deloitte	33,948.80	Banks	Diversified Banks

London Stock Exchange Group PLC	EY	42,168.03	Capital Markets	Financial Exchanges & Data
M&G PLC	KPMG	5,185.69	Diversified Financial Services	Other Diversified Financial Services
Meggitt PLC	PWC	5,771.20	Aerospace & Defense	Aerospace & Defense
Melrose Industries PLC	Deloitte	6,991.51	Industrial Conglomerates	Industrial Conglomerates
Mondi PLC	PWC	8,866.21	Paper & Forest Products	Paper Products
National Grid PLC	Deloitte	38,334.05	Multi-Utilities	Multi-Utilities
Natwest Group PLC	EY	25,468.62	Banks	Diversified Banks
Next PLC	PWC	10,618.71	Multiline Retail	Department Stores
Pearson PLC	PWC	4,640.71	Media	Publishing
Pershing Square Holdings Ltd	EY	6,457.30		
Persimmon PLC	EY	9,116.54	Household Durables	Homebuilding
Phoenix Group Holdings PLC	EY	6,528.97	Insurance	Life & Health Insurance
Prudential PLC	KPMG	35,003.02	Insurance	Life & Health Insurance
Reckitt Benckiser Group PLC		45,308.02	Household Products	Household Products
Relx PLC	EY	46,472.42	Professional Services	Research & Consulting Services

Rentokil Initial PLC	KPMG	10,858.50	Commercial Services & Supplies	Environmental & Facilities Services
Rightmove PLC	KPMG	6,735.22	Interactive Media & Services	Interactive Media & Services
Rio Tinto PLC	KPMG	80,379.91	Metals & Mining	Diversified Metals & Mining
Rolls-Royce Holdings PLC	PWC	10,282.10	Aerospace & Defense	Aerospace & Defense
Royal Mail PLC	KPMG	5,042.89	Air Freight & Logistics	Air Freight & Logistics
Sage Group PLC	EY	8,711.24	Software	Application Software
Schroders PLC	EY	9,348.85	Capital Markets	Asset Management & Custody Banks
SEGRO PLC	PWC	17,273.26	Equity Real Estate Investment Trusts (REITs)	Industrial REITs
Shell PLC	EY	124,642.76	Oil, Gas & Consumable Fuels	Integrated Oil & Gas
Smith & Nephew PLC	KPMG	11,379.92	Health Care Equipment & Supplies	Health Care Equipment
Spirax-Sarco Engineering PLC	Deloitte	11,839.45	Machinery	Industrial Machinery
SSE PLC	EY	17,575.56	Electric Utilities	Electric Utilities
St James's Place PLC		9,099.83	Capital Markets	Asset Management & Custody Banks
Standard Chartered PLC	EY	13,806.77	Banks	Diversified Banks
Taylor Wimpey PLC	PWC	6,403.28	Household Durables	Homebuilding

Tesco PLC	Deloitte	22,226.63	Food & Staples Retailing	Food Retail
Unilever PLC	KPMG	101,042.93	Personal Products	Personal Products
WPP PLC	Deloitte	12,918.69	Media	Advertising

Appendix 3 – Audit reporting

Company Name	**Auditor Details**	**Reference was made by the auditors to the impact of climate change / carbon risk** **0 = No, 1 = Yes**	**Opinion of the auditor on climate change / carbon risk** **Not Material = 0** **Not Noted = 1** **Material = 2**
British American Tobacco PLC	KPMG	0	0
Halma PLC	PWC	0	0
Ashtead Group PLC	Deloitte	0	1
Associated British Foods PLC	EY	0	1
Auto Trader Group PLC	KPMG	0	1
AVEVA Group PLC	EY	0	1
B&M European Value Retail SA	KPMG Luxembourg Societe Cooperative	0	1
Barratt Developments P L C	Deloitte	0	1
Berkeley Group Holdings PLC	KPMG	0	1
British Land Company PLC	PWC	0	1
BT Group PLC	KPMG	0	1
Burberry Group PLC	EY	0	1
Compass Group PLC	KPMG	0	1

DCC PLC	EY	0	1
Dechra Pharmaceuticals PLC	PWC	0	1
DS Smith PLC	Deloitte	0	1
Electrocomponents PLC	PWC	0	1
Endeavour Mining PLC	BDO LLP	0	1
Experian PLC	KPMG	0	1
Ferguson PLC	Deloitte	0	1
Flutter Entertainment PLC	KPMG	0	1
Hargreaves Lansdown PLC	PWC	0	1
Howden Joinery Group PLC	Deloitte	0	1
Informa PLC	Deloitte	0	1
Intermediate Capital Group PLC	EY	0	1
International Consolidated Airlines Group SA	KPMG	0	1
J Sainsbury PLC	EY	0	1
JD Sports Fashion PLC	KPMG	0	1
Land Securities Group PLC	EY	0	1
Legal & General Group PLC	KPMG	0	1
Ocado Group PLC	Deloitte	0	1
Sage Group PLC	EY	0	1
Scottish Mortgage Investment Trust PLC	PWC	0	1
Severn Trent PLC	Deloitte	0	1
Smiths Group PLC	KPMG	0	1
Smurfit Kappa Group PLC	KPMG	0	1
United Utilities Group PLC	KPMG	0	1
Vodafone Group PLC	EY	0	1
Whitbread PLC	Deloitte	0	1
Anglo American PLC	PWC	1	0
Antofagasta PLC	PWC	1	0
AstraZeneca PLC	PWC	1	0
Aviva PLC	PWC	1	0
Barclays PLC	KPMG	1	0
BP PLC	Deloitte	1	0

CRH PLC	Deloitte Ireland LLP	1	0
Croda International PLC	KPMG	1	0
GlaxoSmithKline PLC	Deloitte	1	0
Glencore PLC	Deloitte	1	0
Imperial Brands PLC	EY	1	0
InterContinental Hotels Group PLC	PWC	1	0
Intertek Group PLC	PWC	1	0
ITV PLC	KPMG	1	0
Lloyds Banking Group PLC	Deloitte	1	0
M&G PLC	KPMG	1	0
Mondi PLC	PWC	1	0
National Grid PLC	Deloitte	1	0
Natwest Group PLC	EY	1	0
Pearson PLC	PWC	1	0
Prudential PLC	KPMG	1	0
Reckitt Benckiser Group PLC	KPMG	1	0
Relx PLC	EY	1	0
Rentokil Initial PLC	KPMG	1	0
Rightmove PLC	KPMG	1	0
Rio Tinto PLC	KPMG	1	0
Rolls-Royce Holdings PLC	PWC	1	0
Shell PLC	EY	1	0
Spirax-Sarco Engineering PLC	Deloitte	1	0
St James's Place PLC	PWC	1	0
Standard Chartered PLC	EY	1	0
Unilever PLC	KPMG	1	0
3i Group PLC	KPMG	1	1
Abrdn PLC	KPMG	1	1
Admiral Group PLC	Deloitte	1	1
Airtel Africa PLC	Deloitte	1	1
Avast PLC	EY	1	1
BAE Systems PLC	Deloitte	1	1
Bunzl plc	PWC	1	1

Coca Cola HBC AG	PricewaterhouseCoopers SA	1	1
Diageo PLC	PWC	1	1
Entain PLC	KPMG	1	1
Fresnillo PLC	EY	1	1
Hikma Pharmaceuticals PLC	PWC	1	1
HSBC Holdings PLC	PWC	1	1
Kingfisher PLC	Deloitte	1	1
London Stock Exchange Group PLC	EY	1	1
Melrose Industries PLC	Deloitte	1	1
Next PLC	PWC	1	1
Pershing Square Holdings Ltd	EY	1	1
Phoenix Group Holdings PLC	EY	1	1
Royal Mail PLC	KPMG	1	1
Schroders PLC	EY	1	1
SEGRO PLC	PWC	1	1
Smith & Nephew PLC	KPMG	1	1
SSE PLC	EY	1	1
Taylor Wimpey PLC	PWC	1	1
Tesco PLC	Deloitte	1	1
WPP PLC	Deloitte	1	1
Meggitt PLC	PWC	1	2
Persimmon PLC	EY	1	2