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## EasyJet among four companies referred to FRC

**Sustainability campaigner ClientEarth has referred four leading UK companies to the Financial Reporting Council (FRC) over their failure to discuss climate change trends and risks in their reports to shareholders**

It has also written to the Big Four firms which audit the companies - EasyJet, Balfour Beatty, Enquest and Bodycote - asking them to respond to five questions about climate change-related issues and what processes the firms use to assess the risks they create.

The charity accepts that the four companies do talk about their greenhouse gas emissions and the actions they are taking to reduce them. However, "none of the four clearly confront the risks or trends that climate change or the low carbon transition present to their business", it says, which makes them outliers among their peers and in potential breach of UK reporting laws.

ClientEarth lawyer Daniel Wiseman says that governments, regulators and investors have been calling on businesses to take climate change more seriously. "For companies in exposed sectors to claim these risks are not material to their shareholders is unacceptable.

"Manufacturers, builders, airlines oil and gas producers - all are at risk in some way, Investors expect these issues to be dealt with just like any other risk to their capital."

ClientEarth accuses three of the four companies of failing to provide any information at all about any risks or trends associated with climate change or the low carbon transition, apart from mandatory disclosure of greenhouse gases and a general discussion of their carbon emissions which is buried in the corporate responsibility section.

FTSE 250 company Balfour Beatty does make reference to climate change but its discussion is not "substantive".

Therefore, the charity says, none of the four's annual reports were prepared "in accordance with the applicable legal requirements" and they contained "material misstatements by virtue of [their] omission of this information".

Wiseman urged the FRC to respond to ClientEarth's referral robustly. "We want the FRC to clearly state that these companies have failed to report material climate-related risks, and must correct their reporting accordingly.

"The law here is clear - companies must report material trends and risks likely to affect them to shareholders and in our view, these companies have manifestly failed to do so."

In a statement, the FRC said that it would "consider the complaints in accordance with the conduct committee's published operating procedures".

As far as the companies' auditors are concerned, the charity argues that their opinions aren't worth much if they don't use their expertise and knowledge in climate change issues properly to challenge management.

"As recent reports published by the Big Four show, these firms have extensive awareness of climate-related risks and their implications for financial reporting. But they appear not to be carrying this over when performing audits," Wiseman added.

KPMG is auditor to Balfour Beatty, Deloitte to Bodycote, PwC to EasyJet and EY to Enquest. None of the Big Four were prepared to comment on the referrals.

Topics

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