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Making your reporting more accessible and effective

Sustainability Reporting tips

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Contents

Developments in sustainability reporting

This is the 6th year we have completed in-depth reviews of sustainability reporting by FTSE 100, FTSE 250 and public sector organisations for the Building Public Trust Awards (BPTA). This process has served to underline that open, accessible and integrated reporting on sustainability performance is continuing to rise up the communications agenda for the UK's more forward-thinking organisations.

I'm delighted to report that the profile of sustainability reporting has continued to increase; the new UK mandatory reporting requirements being a key influencing factor. The leaders in reporting are also articulating broader understanding of their impacts, and demonstrating how they are seeking 'good growth' that blends societal and environmental value with solid returns for investors in the case of FTSE companies, or good value for public money in the case of public sector entities.

The use of technology – specifically various social media platforms – has increased and is enabling companies to provide more context and information on their performance, as well as interact in real-time with their stakeholders.

Against this background, our assessment process this year highlights three particularly positive developments in the best sustainability reporting.

'There is a need for all organisations to keep innovating and breaking new ground.'

The first – reflected in our criteria for this year's awards – is an increasing focus on sustainability impacts along the value chain, looking both upstream and downstream and a consideration of the future viability of the company in terms of availability of natural capitals for example.

The second is the rising use of independent assurance to lend greater credibility to sustainability KPIs and performance reporting.

And the third is a greater emphasis on outcomes rather than input metrics.

In both the private and public sectors, the organisations exhibiting these qualities in their sustainability reporting are setting a lead for others to follow. Interestingly, this year we found that some new players came to the fore in all categories, while a number of the previous pace-setters have been affected by other companies catching them up and the leading pack now being much larger. This underlines the need for all organisations to keep innovating and breaking new ground in their sustainability reporting, and its link to core business

Alan

Alan McGill
Partner, PwC

1 The EU public real estate association (EPRA) has created Best Practice in reporting and accounting through wide-scale industry engagement – including sustainability reporting and Sustainability Performance Measures: (http://www.epra.com/media/EPRA_BPR_2011_Sustainability.pdf
2 ICMM (International Council on Mining & Metals) – All ICMM members are required to implement the ICMM Sustainable Development Framework. This includes integrating a set of 10 principles and six supporting position statements into corporate policy, as well as setting up transparent and accountable reporting practices:

Sector trends

This year we have seen certain sectors dominating the BPTA for sustainability reporting shortlists:

- Real estate and construction companies made up a significant proportion of the leading companies in the BPTA sustainability process this year (4 out of the 6 companies shortlisted and 8 of the top 30 FTSE 350 companies). Over the last few years FTSE 100 companies such as British Land, Hammerson and Land Securities and FTSE 250 companies like Balfour Beatty, The Berkeley Group, Carillion and Taylor Wimpey have all demonstrated high standards in sustainability reporting. Some of the key factors likely to have prompted this improved reporting include ‘licence to operate’, engagement with stakeholders in planning processes and evidencing the positive impact of developments at a local level. Additionally, we have seen sector specific industry guidance on reporting emerge (EPRA).[1]
- The travel and leisure sector also demonstrated high standards with 6 companies in the top 30 FTSE 350 companies. Despite good quality disclosures none of the leading companies made it onto the shortlists, which demonstrates there are still improvements to be made. Possible driving factors for high quality disclosures include customer demand for more responsible travel, EU policy changes in relation to airline emissions and destination countries demanding that their local economies, people and environment are better managed.

Other sectors remaining in the leading pack of those companies delivering high quality sustainability reports include companies in the retail and consumer, mining and industrial products sectors:

- In the past 5 years we have seen companies in the retail and consumer (R&C) sector come to the forefront of sustainability reporting. Marks & Spencer, Unilever and Kingfisher have all either won or been shortlisted for a BPT sustainability reporting award, and 3 of the top 15 FTSE 100 companies were R&C companies. Influencing factors driving this include concern for resilience in supply chains and brand protection and differentiation.
- Some of the first companies to disclose comprehensive sustainability reports were mining companies; potential driving factors include the use of public reporting as a mechanism to engage with stakeholders and maintain their license to operate and increasing regulations. Reporting standards have remained high; Anglo American, Xstrata and New World Resources have all either won or been shortlisted for a BPT sustainability reporting award in the last five years and three of the top 15 FTSE 100 companies this year were mining companies. The introduction of sector specific reporting guidelines has also influenced how these companies have prepared their reporting (International Council on Mining & Metals).[2]
- Industrial products companies also featured highly in the assessments this year (three of the top FTSE 250 companies). Resilience, their positioning in the supply chain of many other leading organisations, and a desire to demonstrate efficiency are seen as some of the primary influencing factors on reporting.

The factors that appear to have driven high quality sustainability reporting in these sectors can apply to industries in varying ways; it is likely that a combination of a wide variety of factors have influenced company reporting. Another key driver seems to be ‘first movers’ that are pushing the agenda in their sector with peers then following. What we have observed is that first movers have learnt from leaders in other sectors.

Top 30 FTSE 100 & FTSE 250 companies in BPTA Sustainability Reporting 2014

Real estate & Construction	8
Travel & Leisure	6
Mining & Oil and gas	3
Retail & Consumer	3
Industrial products	3
Business services	2
Banking & Insurance	2
Infocomms	2
Utilities	1

Top 30 FTSE 100 & FTSE 250 companies in BPTA Sustainability Reporting 2013

Real estate & Construction	6
Travel & Leisure	5
Mining & Oil and gas	4
Retail & Consumer	4
Industrial products	3
Business services	3
Banking & Insurance	2
Infocomms	2
Utilities	1

Mandatory reporting on sustainability matters

Globally, a significant proportion of sustainability reporting is still completed on a voluntary basis. Increasingly though countries are introducing regulatory reporting measures on sustainability matters and there is a gradual trend for companies to provide more information on their sustainability impacts within their mainstream annual filings. This is fuelling investment in tighter controls, more robust data systems and independent assurance.

The table opposite shows some of the reporting initiatives driven by regulatory bodies and stock exchanges in a number of countries. This is fuelling investment within organisations on innovative ways to better inform their stakeholders, as well as investing in more robust management information preparation, reporting and assurance to build trust and confidence.

'There is a gradual trend for companies to provide more information on their sustainability impacts.'

UK reporting regulations

Alongside the requirement for UK listed companies to produce a strategic report, the Modern Slavery Bill which is planned to come into force in 2015 will require certain companies to disclose what they have done to ensure their supply chains are free from slavery. It is also anticipated that the European Directive on disclosure of non-financial information will be transposed into legislation in member states in 2016. The directive differs from existing UK regulations in a number of ways:

- The scope will be extended beyond quoted companies.
- It will require disclosures on non-financial KPIs relevant to the business as well as anti-corruption and bribery matters.
- For each area more specific information is required including a description of the policies, outcome of those policies, and the principal risks related to those matters.

Disclosure on sustainability matters by the vast majority of UK listed companies is currently far beyond that required by regulations. As reporting regulations become more prescriptive companies performing well will have an opportunity to differentiate themselves from their peers. For those at the leading edge of sustainability reporting new regulations will be a trigger to revisit the quality of their reporting. For those companies who find themselves behind the curve, there will be more work to do to bring themselves closer to the standard set by the best reporters.

Northern Hemisphere

- **UK:** Quoted companies are required to produce a strategic report which includes information on annual greenhouse gas (GHG) emissions, diversity and human rights under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013.
- **EU:** The EU has recently introduced new reporting requirements for large companies and listed companies operating in the extractive industries under the EU Transparency Directive. Specifically, the Directive requires companies to report the payments they make to governments in relation to their extraction activities.
- **EU:** The EC Directive on Disclosure of Non-Financial and Diversity Information (2013) aims to increase EU companies' transparency and performance on environmental and social matters. These will require disclosure of material environmental, social and employee-related matters, including human rights and anti-bribery and corruption. This will impact certain large and public-interest companies (approximately 6,000 companies in the EU).
- **France:** Under Article 225 of French Law Grenelle II (July 2010), listed companies on the French stock exchanges are required to publish a range of social, environmental and governance information listed in the decree and have this data verified by an independent third party.
- **USA:** In 2010, the US Securities and Exchange Commission (SEC) issued Interpretive Guidance on Disclosure Related to Business or Legal Developments Regarding Climate Change. This provides guidance on disclosure rules that may require a company to disclose the impact that business or legal developments related to climate change may have on its business.
- **Sweden:** Companies administered (i.e. wholly or partly owned) by the Swedish Government have been required to present a GRI-compliant sustainability report annually since 2009.
- **Denmark:** In 2008, Denmark introduced regulation requiring all large businesses to report on their CSR activities i.e. existence and implementation of policies, evaluation of the impact of initiatives and future initiatives. Two topics – human rights and climate change – must be included in reporting regardless of whether they are included in disclosed policies.
- **Norway:** Since 1998, Norwegian-registered companies have been required to disclose their environmental impacts and mitigation activities. Since April 2013, all large companies are required to report on how they integrate sustainability into their business strategies. Companies that issue reports that comply with UN Global Compact or GRI standards are exempt from this requirement.

Southern Hemisphere

- **Australia:** The National Greenhouse and Energy Reporting Act 2007 (the NGER Act) introduced a national framework for reporting on greenhouse gas emissions. In 2014 the Australian Securities Exchange (ASX) updated requirements for companies to disclose if they have material exposure to 'enivonmental and social sustainability risks' and if so, identify how they plan to manage and mitigate this risk.
- **South Africa:** Under The King Code of Governance (King III), all companies listed in the Johannesburg stock exchange are required to produce a third-party assured integrated report addressing governance, strategy and sustainability.
- **India:** In 2012, the Securities and Exchange Board of India (SEBI) mandated that the top 100 listed companies submit Business Responsibility Reports as part of their annual reports. In 2014 SEBI also mandated that listed firms must have one female director on the board.
- **Brazil:** In 2012 BM&F Bovespa, the main Brazilian stock exchange, announced sustainability reporting recommendations for all listed companies. Electric utilities companies are required to publish an annual sustainability report under a regulation introduced in 2006. Since 2012, in the states of Rio de Janeiro and São Paulo, companies in selected industries are required to report Scope 1 and 2 GHG emissions annually.
- **Singapore:** Under the Singapore Code of Corporate Governance (2014), all listed companies are required to consider sustainability issues as part of strategic formulation. The Singapore Exchange also recommends that listed companies issue an annual sustainability report.
- **Malaysia:** In 2007, Malaysia's main stock exchange introduced a regulation requiring listed companies to disclose their CSR policies and activities in their annual reports.
- **Hong Kong:** From 2013 all companies on the Hong Kong Stock Exchange are required to disclose their diversity policy on a 'comply or explain' basis.

Driving factors behind sustainability reporting

As discussed in the previous section, disclosures on sustainability matters made by the vast majority of listed companies in the UK are more advanced than what is currently required by regulations. This is driven by demand from a wide range of stakeholders, each with their own interests and agendas and by the internal benefits gained from reporting.

The benefits of sustainability reporting

The benefits can be both tangible and intangible. The key benefits can be categorised as:

- **Reducing costs:** Some relatively straight-forward cost savings can be achieved from smarter and efficient consumption of natural resources. Some evidence suggests that employee morale and productivity increases where organisations demonstrate good corporate responsibility and company values.
- **Competitive advantage:** Companies that understand the implications of sustainability to their business models can use this information to both enhance and develop new products and services. For example (a) first mover advantage and (b) reputational position in new and/or growing markets.
- **Access to capital and markets:** There is growing evidence of investors assessing organisations' sustainability performance in the context of good corporate governance and risk management. The transparency of how (well) an organisation is addressing sustainability builds trust with investors. Additionally many public funds and public development agencies have in place sustainability policies that need to be adequately satisfied in order to access their funding. Sustainability performance has been shown to improve brand and reputation, and therefore the ability to attract investment and enter new markets.
- **Managing risks:** Organisations face a variety of sustainability risks along their entire supply chain –for example some have regulatory implications leading to monetary fines, others have reputational impacts leading to loss of customers or even loss of investors. Integration of sustainability risks into the overall governance architecture of an organisation suggests that such organisations outperform those that do not (Harvard Business School review, November 2011).

Demand from stakeholders

Companies are responding to the demand for transparency by providing credible and reliable information on the economic, environmental, social and governance issues that matter most to them and their stakeholders.

The table on page 7 shows the broad range of typical stakeholders that are interested in an organisation's performance and the specific aspects they characteristically focus upon in sustainability reporting.

‘How are companies managing risks and creating opportunities.’
Investors and analysts

‘Judging the impacts of the products and services they buy.’
Consumers

‘Scrutinize company activities and corporate behaviour.’
NGOs and activists

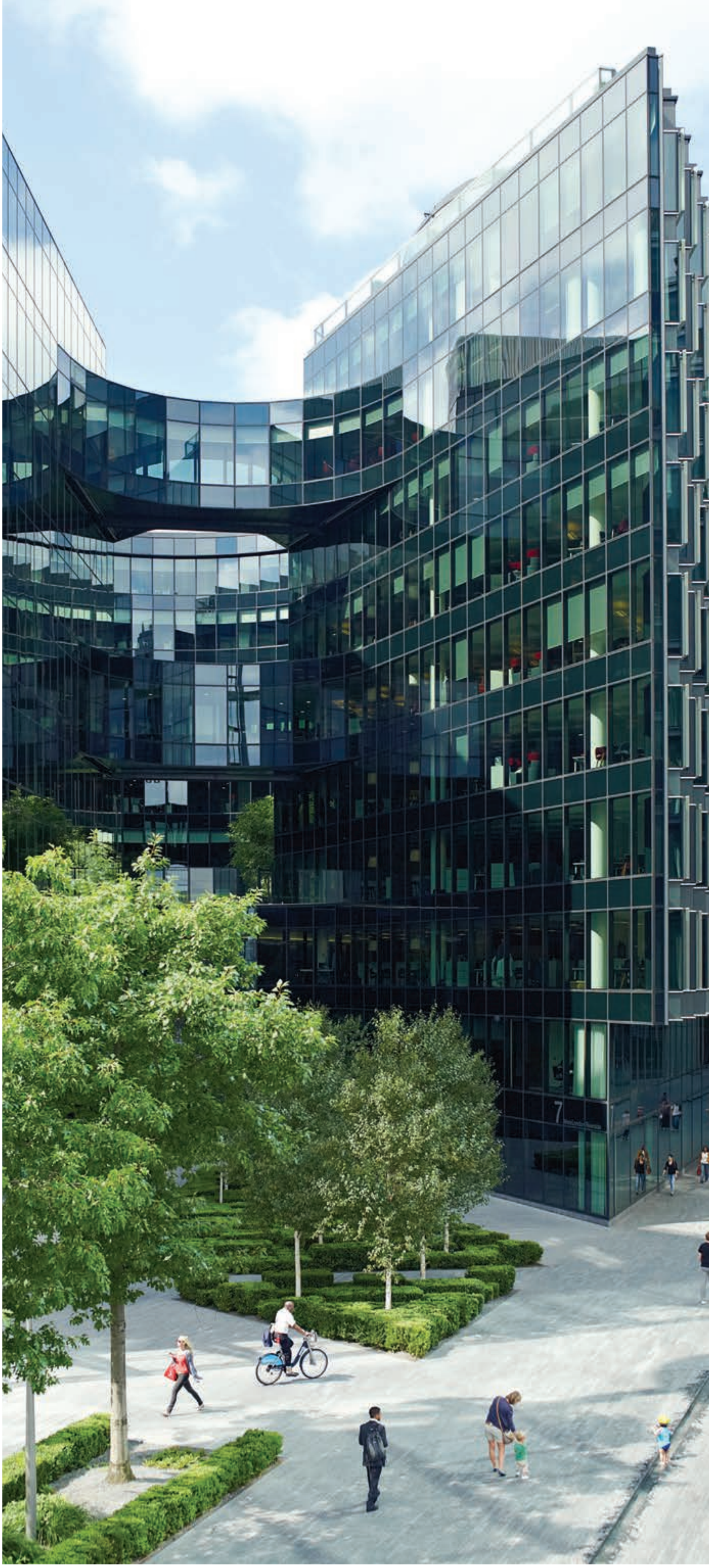
‘Understand how their suppliers are managing risk.’
Customers

‘Concerned about finding employers who share their values.’
Employees

‘Obtaining insight into the issues that their customers prioritise.’
Suppliers

‘Understand how the company is managing local impacts at a corporate level.’
Local communities

‘Ensuring compliance with regulations and good governance.’
Policy makers and regulators



Integrated Reporting <IR>

<IR> and the <IR> framework

<IR> is a concept that has been evolving for a number of years with the objective of presenting a more holistic view of a business – shifting from the current financial orientated reporting model. The International Integrated Reporting Council (IIRC) established a pilot programme to develop and test the principles, content and practical application of <IR>. A guiding <IR> Framework was released by the IIRC in December 2013, following extensive consultation and testing by businesses and investors, including the 140 businesses and investors from 26 countries that participated in the Pilot Programme.[1] The <IR> Framework sets out at a high level the key content elements and principles for an integrated report, all of which are underpinned by the fundamental concepts of different 'capitals' and value creation.

There is a common misunderstanding about the true meaning of <IR> amongst those not familiar with the Framework; that it is about incorporating sustainability matters, such as environmental and social data into annual reports. This is not the case, the core components of good integrated reporting are: strategy, business model, long-term viability, financial performance and risk management – sustainability matters align with and should be considered in the context of these components.

<IR> and the UK Strategic Report

There is a distinct overlap between the UK requirements to prepare a strategic report and the <IR> framework. The UK's Financial Reporting Council (FRC) explicitly references the <IR> principles in its guidance on the strategic report and has commented that applying this guidance should result in reporting that is consistent with the IIRC Framework. Like the IIRC, the FRC is also encouraging 'experimentation', 'innovation' and future-oriented reporting.

The key content elements of both are focused on strategy, business model, risks and KPIs.

Our review of reporting practices of the entire FTSE 100 (see link) as well as the global Pilot Programme network illustrate that most of the companies reviewed included information on these critical elements. However our review also illustrates that companies are still struggling with the challenge of integration i.e. presenting a clear, coherent and connected picture of the business that links these elements. For example whilst 99% of the FTSE 100 (95% of pilot programme companies) report their strategic priorities, only 39% (35%) clearly align them to their KPIs[2].

There are some differences that set integrated reporting apart from the current UK regulatory model around the principles underpinning the <IR> framework, namely:

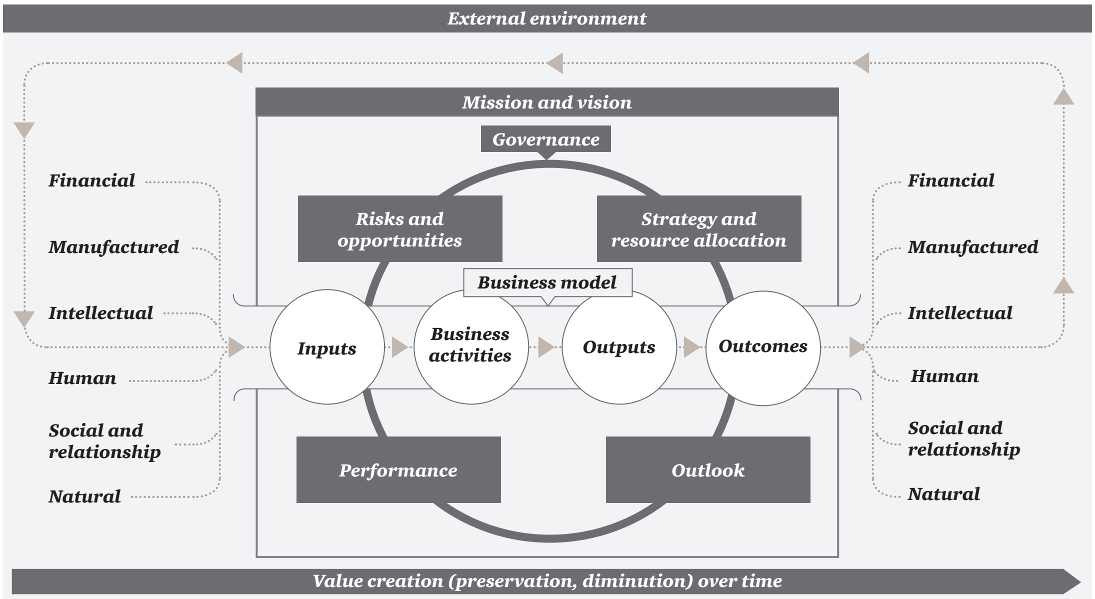
- Taking a medium to longer-term perspective to reporting;
- Consideration of dependencies on critical resources and relationships across the value chain;
- Appreciation of both financial and operational performance and a wider appreciation of what constitutes corporate success; and
- Connecting the interaction of operational performance and financial outcomes through a joined up process and team.

It is clear that the UK's Strategic Report and Integrated Reporting share the same DNA but few companies in the UK have published an 'Integrated Report'. This could be attributed to a focus on compliance with the regulatory changes or fear of external challenge from those looking for compliance with the more detailed <IR> framework.

Through a supportive regulatory environment there are more companies in the UK on the journey towards integrated reporting than is currently suggested. But the key for those continuing on this journey is to take a longer-term, broader, more operational perspective that will challenge how companies think, operate, monitor and report performance in a connected way.

1 IIRC http://www.theiirc.org/international-ir-framework/
2 PwC review of reporting practices: http://www.pwc.com/gx/en/audit-services/corporate-reporting/integrated-reporting/index.jhtml

Figure 1: The International <IR> Framework



Source: IIRC, December 2013

'It is clear that the UK's Strategic Report and Integrated Reporting share the same DNA.'

<IR> is now gaining considerable global momentum and is leading to a range of internal benefits:

- 92% say it has improved understanding and articulation of value creation;
- <IR> is triggering better ways of assessing and measuring performance, with 84% reporting that data quality has improved;
- 79% are already finding that business decision making has improved, which is attributed to changes in management information;
- 91% have seen an impact on external stakeholder engagement and 96% have seen an impact on internal engagement through breaking down silos and increasing understanding between departments;
- 68% report better understanding of risks and opportunities, in particular those with long-term implications; and
- 78% see better collaborative thinking by the board about goals and targets.

Source: IIRC and Black Son Plc, 2014, 'Realizing the benefits: The impact of Integrated Reporting' – A survey of 66 organizations as part of the IIRC Pilot Programme.

Benefits of <IR>

Organisations participating in the IIRC's pilot programme report a range of benefits from <IR> including the ability to obtain better information which can be used to make better decisions.

For external stakeholders such as investors and analysts, integrated, long-term thinking and the subsequent reporting helps inform decisions on the long-term viability of companies. In the results from our latest global survey of investment professionals, 80% stated that reporting quality impacts their view of management quality, and 63% agreed that disclosures on risk, strategy and other value drivers can have a direct impact on a company's cost of capital.[3]

Increasingly, individual stock exchanges are looking to integrated reporting as a way of enhancing transparent quality communications between business and investors. The Deutsche Boerse, Singapore Stock Exchange, Tokyo Stock Exchange and Johannesburg Stock Exchange are members of the council for the IIRC pilot programme themselves.

3 PwC Global survey of investment professionals, September 2014: http://www.pwc.com/gx/en/audit-services/corporate-reporting/publications/investor-view/investor-survey – edition. jhtml

<IR> and impact measurement

The number of companies trying to understand how they measure their wider impact and use of the 'capitals' has increased in the last few years. Significantly three of the four companies shortlisted for the BPT Award for Excellence in reporting in the FTSE 100 this year quantified their wider impact on society as a way of supporting their license to operate and the sustainability of their business model, compared to only one company in the 2013 shortlist. This new trend is moving quickly as companies recognise the value in more integrated thinking and reporting.

The focus areas of impact measurement assessments vary depending on the issues that are most material to the company (which depends on a number of factors including sector and geography). Typically this includes one or more of the following broader impacts: tax, economic, environmental and social. Focusing on material issues is key to identifying and understanding the issues which can have the greatest potential impacts.

The benefits of impact measurement

By measuring broader impacts, businesses can better understand the total impact they have and how their decisions deliver growth that reflects the needs of society and the environment, as well as the investor.

Business generates and destroys value beyond profits and shareholder dividends, value that often is missed, not taken into consideration in decision making or not reported on. For example, all businesses have impacts on society, whether it's through their use of natural resources to generate products or provide services; the benefits they bring to the communities in which they operate; the employment opportunities they provide or their contribution to the public finances. Some of these impacts are positive and some negative.

Emerging impact measurement techniques go beyond understanding the relationship between a business' inputs and activities, and its outputs, to explore and quantify its longer term outcomes and associated impacts.

The financial reporting model remains the bedrock for all company analysis. However, financial data isn't the only information that stakeholders and companies need; it is understood that a broad information set is critical to understanding business performance. In our 17th Annual Global CEO survey, 74% of CEOs told us that measuring and reporting their total (non-financial) impact contributes to their long term success.[1]

Integrating and understanding the broader impacts of an organisation in this way will make for a more progressive reporting model. Ultimately, a total impact approach will mean that decisions made by business are based firmly on a more complete picture of impact and performance. It's likely that this additional management information, used to support decision making, will be valued in reporting too.

1 PwC Global CEO Pulse Survey, June 2013 (187 respondents): http://www.pwc.com/gx/en/sustainability/ceo-views/sustainability-perspective.jhtml

Figure 2: Measuring value - building on the current model

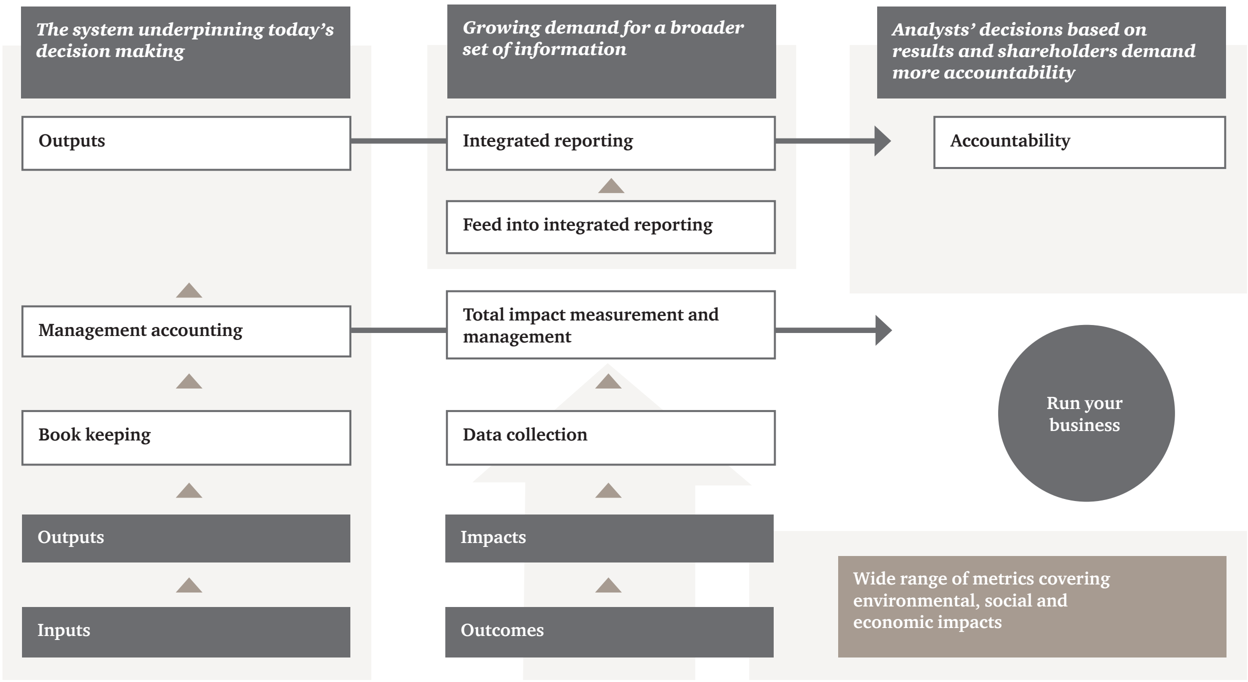
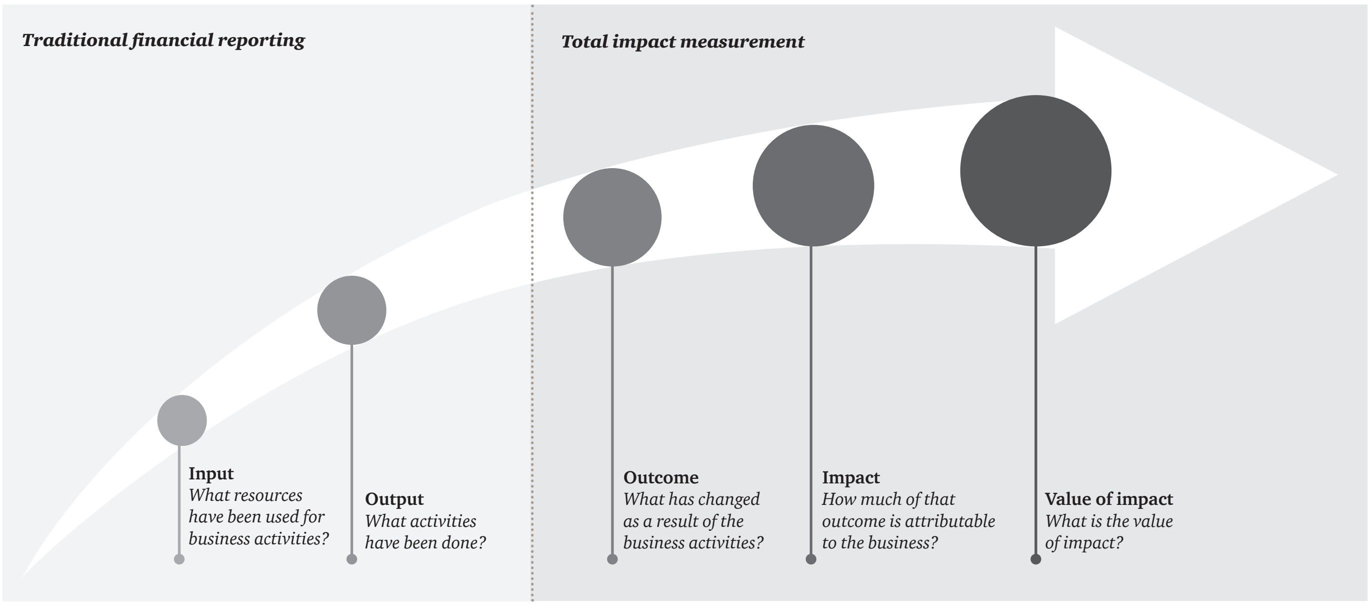


Figure 3: Measuring what matters



Example

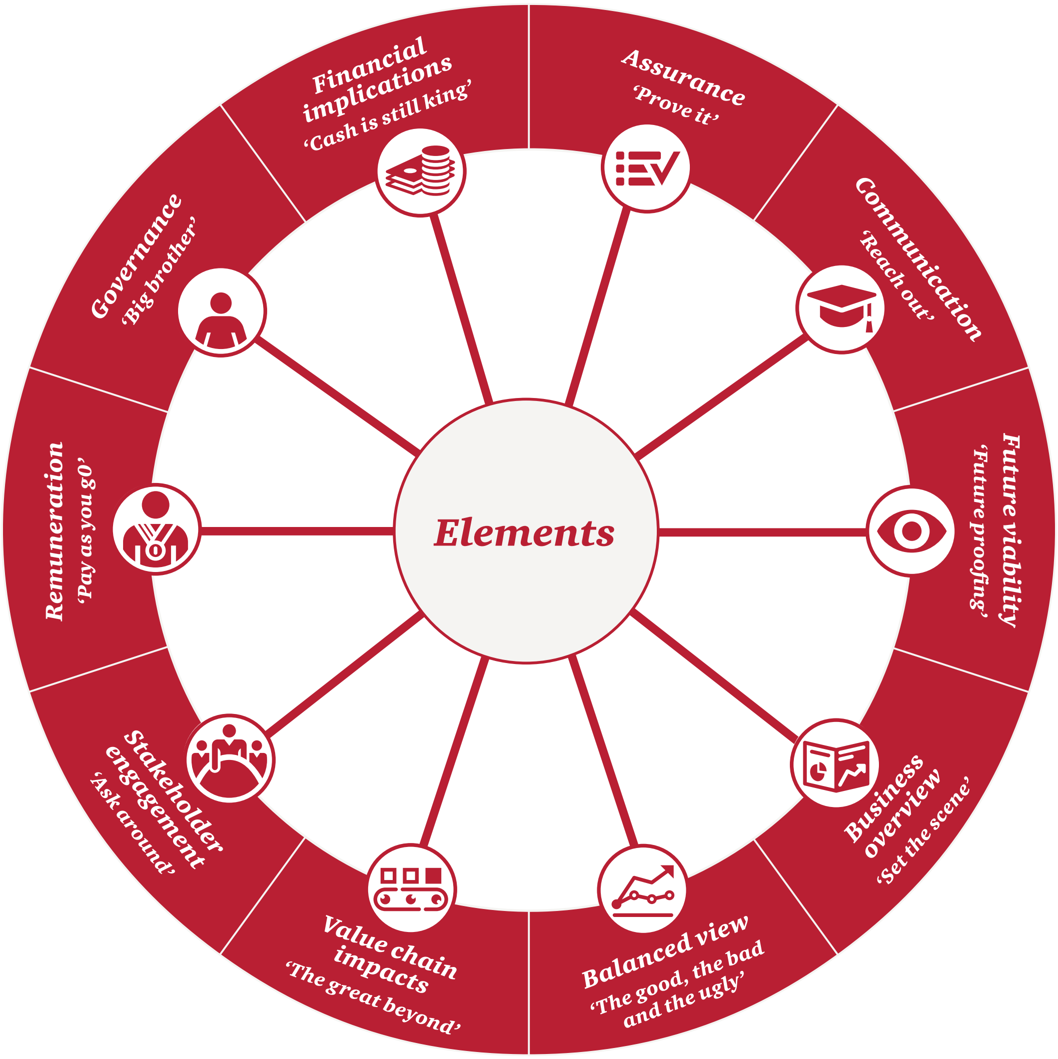
Input	*Output*	*Outcome*	*Impact*	*Value of impact*
£20,000 invested in delivering supplier employee training	100 supplier employees trained on health and safety policies and procedures	Improved practical knowledge of health and safety policies and procedures; safer working procedures; safer working practices implemented	Fewer injuries as a result of training	Cost savings associated with fewer injuries e.g. reduced medical costs and production losses

Sustainability reporting tips

Key elements of sustainability reporting

The diagram outlines our framework for accessible and effective sustainability reporting.

Sustainability reporting – *key elements*



Sustainability reporting – *the building blocks*

Strategy – 'Live it breathe it'
Describe sustainability strategy over the short, medium and long term. Demonstrate how this is integrated in your core corporate strategy.

Materiality – 'It's a material world'
Demonstrate an understanding of the material sustainability issues relevant to you and your key stakeholders.

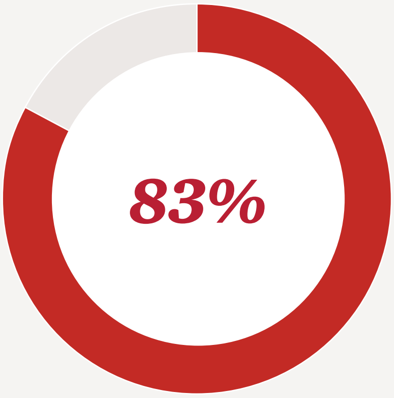
KPIs and targets – 'What gets measured, gets done'
Identify KPIs which are directly relevant to your sustainability strategy. Set and review your performance against challenging but realistic targets.

Risks and opportunities – 'Snakes and ladders'
Explain the key strategic risks and opportunities arising from the sustainability agenda. Explain the relevance and implications of each and how they are managed.

Business overview

Set the scene

Of the reports we reviewed:



Describe the company's key business activities (FTSE 250: 100%)

Key findings:

- The most effective reports provide an introduction to their business activities in their Sustainability Report in order to give the reader an understanding of their activities and operations.
- In this introduction, these companies link sustainability to their core business activities.

Tips to make your reporting more effective:

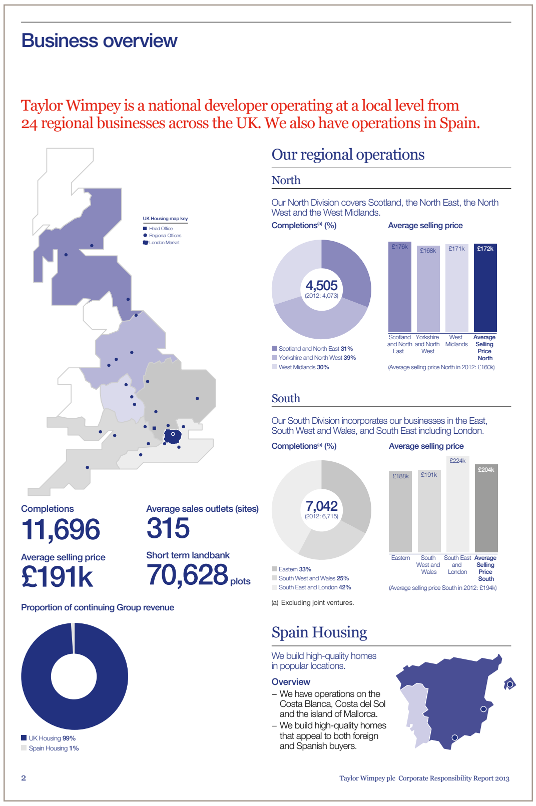
- Provide an overview of your business and the market environment in which you operate to contextualise your reporting for the reader.
- Present your operations and your value chain in a concise 1-2 page overview, introducing the reader to your company.
- Think carefully about where sustainability sits within your business and highlight these areas.

Provide an overview of your business and the market environment in which you operate to contextualise your reporting for the reader.

Example

Taylor Wimpey plc
Corporate Responsibility Report 2013

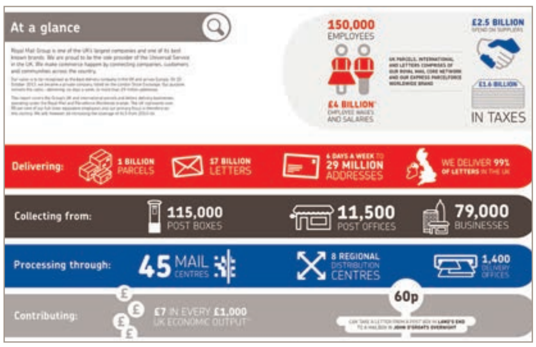
Page 2: Business overview



Example

Royal Mail plc
Corporate Responsibility Report 2012–2013

Page 4–5: At a glance

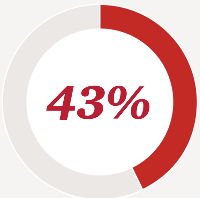


Source: Taylor Wimpey CR report 2013, http://asp-gb.secure-zone.net/v2/index.jsp?id=624/2128/8573&lng=en
Source: Royal Mail CR Report 2012-13, http://www.royalmailgroup.com/sites/default/files/2012-13_RMG_CR_Report_online_final.pdf

Live it, breathe it

Of the reports we reviewed:

Have a separate sustainability strategy. (FTSE 250: 87%)



Disclose their sustainability strategy over the short, medium and long term. (FTSE 250: 49%)

Of the reports we reviewed:

- The most effective reports clearly lay out the company's sustainability strategy over the short, medium and long term and how it fits into their core strategy. Sustainability risks and opportunities are highlighted and are linked to the strategy.
- Additionally, these reports clearly show how sustainability permeates through the business, e.g. through a network of sustainability champions, provision of sustainability training or using relevant management systems.

Tips to make your reporting more effective:

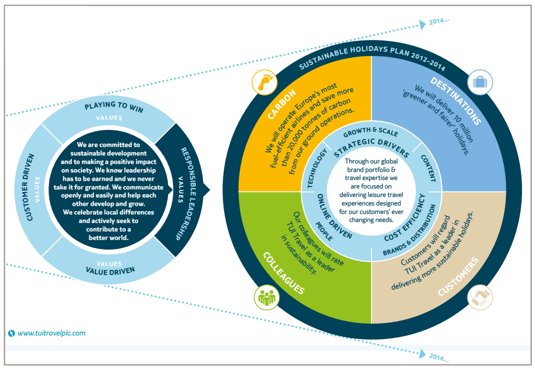
- Clearly describe your sustainability strategy over the short, medium and long term. Demonstrate how this is integrated into your core corporate strategy.
- Demonstrate how your sustainability strategy is aligned with your core objectives. Develop a long-term sustainability vision including an action plan and milestones.
- Report on the systems or structures within your business which allow sustainability to permeate throughout, e.g. by setting department-specific targets or linking sustainability to remuneration.

Clearly describe your sustainability strategy over the short, medium and long term. Demonstrate how this is integrated into your core corporate strategy and permeates throughout your business.

Example

TUI Travel plc
Sustainable Holidays Report 2013

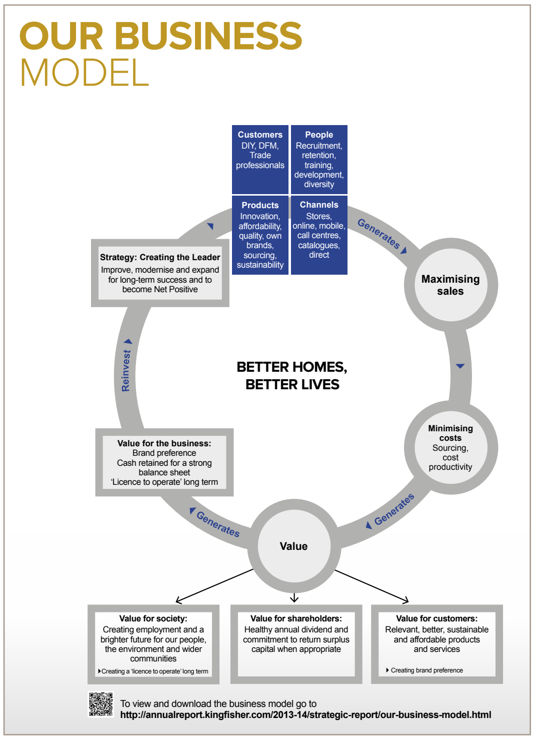
Page 4: Our sustainability strategy



Example

Kingfisher plc
Net Positive Report 2013/14

Page 5: Our business model



Source: TUI Travel Sustainable Holidays Report 2013, http://www.tuitravelplc.com/system/files/susrep/TUI-Travel-PLC-Sustainable-Holidays-Report-2013.pdf
Source: Kingfisher Net Positive Report, http://www.kingfisher.com/netpositive/files/reports/cr_report_2014/2014_Net_Positive_Report.pdf

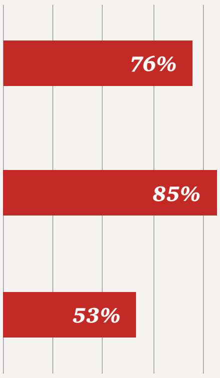
What gets measured, gets done

Of the reports we reviewed:

Disclose sustainability KPIs related to each material issue.
(FTSE 250: 84%)

Have targets that are specific and measurable.
(FTSE 250: 60%)

Show linkage between KPIs and financial implications.
(FTSE 250: 33%)



Of the reports we reviewed:

- The most effective reports disclose a range of sustainability KPIs that are relevant to the company's business and directly link to its material issues and sustainability strategy.
- These reports set short and medium-term targets for material KPIs and disclose their progress against these.

Tips to make your reporting more effective:

- Identify and report on KPIs which are directly relevant to your sustainability strategy. Explain why they are relevant and how they are defined.
- Set and review your performance against challenging but realistic mid – to long-term targets.
- Ensure all targets are specific and measureable.
- Disclose reasoning behind targets and steps as to how these targets will be achieved.

Identify KPIs which are directly relevant to your sustainability strategy. Explain why they are relevant and how they are defined. Set and review your performance against challenging but realistic targets.

Example

Aviva plc
Our Wider Impact Report 2013

Page 3: Key Performance Indicators

	2010	2011	2012	**2013**	Year-on-year target	**Change over year**
Community development						
Amount of community investment	£11.4m	£12.4m	£11m	**£6.2m**	Total community investment at/above previous year	(44)%
% of investment in Aviva Street to School	52%	54%	58%	**52%**	50% of cash donations	(6)%
% of employees who feel that Aviva does a good job of contributing to the communities in which we live and work	66%	76%	76%	**75%**	Increase from previous year	(1)%
% of employees participating in volunteering*	17%	20%	18%	**27%**	Increase the % of employee participation in volunteering	9%
Number of employee hours spent volunteering*	57,250	60,390	56,357	**41,223**	Increase the number of employee volunteering hours	(27)%

Example

The British Land Company plc
Corporate Responsibility Full Data Report 2014

Page 4: Performance Data – Environmental – Overview

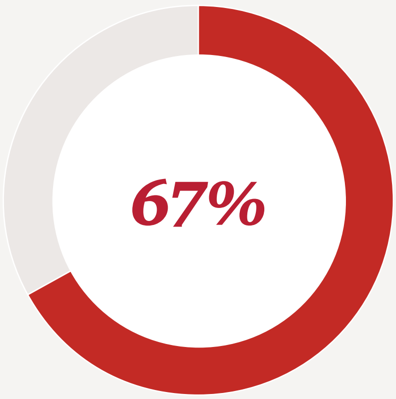
1. ENVIRONMENTAL SUMMARY (PART 1)

SUSTAINABILITY RATINGS		2013/14	2012/13	2011/12	Scope
% of developments on track to achieve BREEAM Excellent for offices and Excellent or Very Good for retail		98%	100%	-	42/42
FINANCIAL		**2013/14**	**2012/13**	**2011/12**	**Scope**
Environmental cost savings across our existing portfolio		£2,623,000	£2,052,000	£1,292,000	72/72
Environmental investment		£1,645,000	£1,518,000	£976,772	72/72
CARBON		**2013/14**	**2012/13**	**2011/12**	**Scope**
Like-for-like Scope 1 and 2 emissions (tonnes CO_2e)		19,624	21,158	30,819	45/45
EPRA 3.5: Direct (Scope 1) greenhouse gas emissions (tonnes CO_2e)		6,953	6,694	5,581	63/63
EPRA 3.6: Indirect (Scope 2 and 3) greenhouse gas emissions (tonnes CO_2e)		89,993	97,420	105,610	466/781
EPRA 3.7: Greenhouse gas intensity from building energy (tonnes CO_2e per m^2)	Offices	0.13	0.14	0.16	27/27
	Shopping centres	0.03	0.03	0.03	9/9
	Retail parks	0.005	0.005	0.005	42/42
ENERGY USE AND INTENSITY		**2013/14**	**2012/13**	**2011/12**	**Scope**
Landlord-influenced energy use across our like-for-like portfolio (MWh)		47,992	50,819	55,059	45/45
EPRA 3.1: Energy consumption from electricity (MWh)		163,406	174,246	191,188	466/781
EPRA 3.2: Energy consumption from district heating and cooling (MWh)		289	349	135	1/1
EPRA 3.3: Energy consumption from fuels (MWh)		28,826	30,084	25,918	56/63
Energy use - developments (MWh)		4,107	5,295	6,620	33/34
EPRA 3.4: Building energy intensity (kWh per m^2)	Offices	256.75	274.89	307.41	27/27
	Shopping centres	49.12	57.75	58.36	9/9
	Retail parks	8.86	10.15	10.68	42/42
EPRA 3.4: Building energy intensity (kWh per workstation or 10,000 visitors)	Offices	6,160	6,324	6,744	23/23
	Shopping centres	1,564	2,197	2,678	9/9
	Retail parks	297	431	352	41/41
% energy efficiency of new developments against relevant Building Regulations		30%	27%	20%	34/35

Source: Aviva CR report 2014, http://www.aviva.com/corporate-responsibility/
Source: British Land CR Data Report, http://www.britishland.com/~/media/Files/B/British-Land/downloads/2014/corporate-responsibility-full-data-report-2014.pdf

The good, the bad, and the ugly

Of the reports we reviewed:



Explain poor performance against targets and outline plans to address poor performance. (FTSE 250: 56%)

Of the reports we reviewed:

- Top reporters reveal positive and negative performance and progress against targets.
- They explain the reasons behind poor performance and how they intend to address shortfalls, and set more challenging targets when their performance exceeds expectations.

Tips to make your reporting more effective:

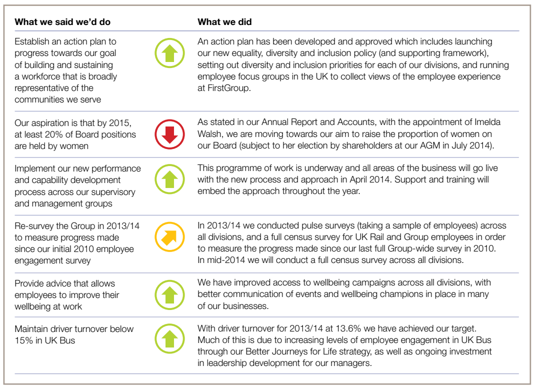
- Present information in a balanced and transparent fashion.
- Celebrate success, but also avoid glossing over negative sustainability impacts or poor performance against targets. Explain where and how improvements will be made.
- If you reach targets ahead of set deadlines, think about setting more challenging targets going forward.
- Acknowledge the negative and/or positive impacts of direct operations and report how this has informed your strategy.

Present information in a balanced and transparent fashion. Celebrate success, but also avoid glossing over negative sustainability impacts or poor performance against targets. Explain where and how improvements will be made.

Example

FirstGroup plc
2014 Corporate Responsibility

Page 20: Valuing our people – Progress against targets



What we said we'd do	What we did
Establish an action plan to progress towards our goal of building and sustaining a workforce that is broadly representative of the communities we serve	An action plan has been developed and approved which includes launching our new equality, diversity and inclusion policy (and supporting framework), setting out diversity and inclusion priorities for each of our divisions, and running employee focus groups in the UK to collect views of the employee experience at FirstGroup.
Our aspiration is that by 2015, at least 20% of Board positions are held by women	As stated in our Annual Report and Accounts, with the appointment of Imelda Walsh, we are moving towards our aim to raise the proportion of women on our Board (subject to her election by shareholders at our AGM in July 2014).
Implement our new performance and capability development process across our supervisory and management groups	This programme of work is underway and all areas of the business will go live with the new process and approach in April 2014. Support and training will embed the approach throughout the year.
Re-survey the Group in 2013/14 to measure progress made since our initial 2010 employee engagement survey	In 2013/14 we conducted pulse surveys (taking a sample of employees) across all divisions, and a full census survey for UK Rail and Group employees in order to measure the progress made since our last full Group-wide survey in 2010. In mid-2014 we will conduct a full census survey across all divisions.
Provide advice that allows employees to improve their wellbeing at work	We have improved access to wellbeing campaigns across all divisions, with better communication of events and wellbeing champions in place in many of our businesses.
Maintain driver turnover below 15% in UK Bus	With driver turnover for 2013/14 at 13.6% we have achieved our target. Much of this is due to increasing levels of employee engagement in UK Bus through our Better Journeys for Life strategy, as well as ongoing investment in leadership development for our managers.

Example

The Royal Bank of Scotland Group plc
Our financing of the energy sector in 2013

Page 10: Mapping lending exposures with carbon intensity

9. Mapping lending exposures with carbon intensity

Energy clients who have high CO_2e emissions relative to their turnover (i.e. are carbon intensive) pose enhanced environmental, social and ethical risks. The charts below show our lending exposures to our top 25 Power and Oil & Gas clients compared to their carbon intensity, and the industry average.

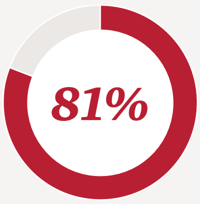
The data for both sectors shows that there is a correlation between high lending exposures and lower than average carbon intensity. By tracking this data over time we are able to analyse the carbon risks in our lending and trends in our clients' approach to managing their emissions.

Source: First Group CR report 2014, http://www.firstgroupplc.com/~/media/Files/F/Firstgroup-Plc/signpost-documents/corporate-responsibility-report.pdf
Source: RBS Energy Financing Report 2013, http://www.rbs.com/content/dam/rbs/Documents/Sustainability/Energy_Financing_Report_2013.pdf

Snakes and ladders

Of the reports we reviewed:

Disclose a narrative section on sustainability risks.
(FTSE 250: 93%)



Describe their approach to risk mitigation.
(FTSE 250: 78%)

Disclose a narrative section on sustainability opportunities.
(FTSE 250: 69%)

Describe their strategy to maximise key sustainability opportunities.
(FTSE 250: 53%)

Of the reports we reviewed:

- The ‘best in class’ reports have clearly laid out their sustainability risks and opportunities.
- They clearly show how risks will be mitigated and opportunities maximised and how this aligns to the sustainability strategy.
- These reports highlight risks and opportunities which are specific to their industry or sector and highlight how opportunities help them on their sustainability journey.

Tips to make your reporting more effective:

- Draw out and explain in detail the key strategic risks and opportunities arising from the sustainability agenda.
- Explain the relevance and implications of each risk and opportunity as it relates to your organisation and the actions put in place to mitigate risks and maximise opportunities.

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Example

Carillion plc
Sustainability Report 2013

Risk and opportunity

BUILDING A SUCCESSFUL BUSINESS

ENABLING LOW-CARBON ECONOMIES

PROTECTING THE ENVIRONMENT

SUPPORTING SUSTAINABLE COMMUNITIES

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE

SUSTAINABILITY RISKS	MITIGATIONS AND OPPORTUNITIES
• Accidents or incidents to our people or subcontractors	• Further embed our health and safety standards and practices across our business • Potential to win more work as a result of strong safety performance
• Employee dissatisfaction, leading to a reduction in staff retention and our ability to deliver on contracts	• More productive and loyal employees
• Poor health and wellbeing among our people reducing productivity	• Providing opportunities for a better work-life balance through flexible working and 'Health Like Safety' campaign
• Lack of diversity among employees not reflecting customer base	• Potential to retain and win more work as a result of diverse employee base
• A shortage of skilled workers in the future	• Working within our communities to ensure a future pipeline of skilled individuals
• Recruiting and retaining key people throughout our businesses	• Address key issues arising from employee engagement • Using the Carillion Leadership Programme as a pipeline for future leadership talent

LEADING THE WAY WITH OUR CUSTOMERS AND SUPPLIERS

Example

Taylor Wimpey plc
Corporate Responsibility Report 2013

Page 10: Risk and opportunity management

Key sustainability and climate change risks and opportunities that we focused on during 2013 include:

Key risk	Progress in 2013	Opportunities
Planning risk as policy changes with the introduction of the Localism Act and the National Planning Policy Framework (NPPF).	Continued to develop our extensive community engagement programme and introduced community pages on our Taylor Wimpey website for our proposed developments. Integrated sustainability and NPPF requirements into new planning guidance documents and provided training for relevant employees.	Industry leadership in planning and community engagement could help us to win competitive tenders, secure planning consents and obtain the approval of local communities.
Increasing energy and carbon costs as well as waste to landfill costs.	Undertook a review of supply chain resource efficiency which will be completed in 2014. Developed new energy-efficient specifications for show homes and sales areas, and guidelines for new offices. Launched our ReUSE soil sharing programme across all regional business units and continued to maintain effective site waste management processes.	Reduction in energy use and waste to landfill could result in significant cost savings and environmental benefits.
Rising cost of meeting changing sustainability regulatory requirements.	Continued to undertake ongoing research and development, including analysis of upcoming regulation. Completed a detailed investigation into using solar farms and started to review forestry as possible Allowable Solutions, which allow homebuilders to offset a proportion of carbon emissions off site.	Competitive advantage through providing products that meet building regulations in the most cost-effective way.
Failure to meet customer service and build quality expectations, necessity of undertaking expensive remedial action.	Maintained HBF's five-star ranking for customer service and provided improved customer information on our website. In 2013 we started a wide scale review of our customer service in all regional business units. Increasing customer satisfaction will be a clear priority for us in 2014. Continued to deliver our Sales Academy training programme.	Satisfied customers improve our reputation and the high-quality, aspirational homes and communities that we build appeal to new customers.
Recruiting employees with inadequate skills or in insufficient numbers, or not being able to retain key staff.	Focused on learning and development as a key area in 2013. Continued with existing and introduced new training initiatives, including a new site management apprenticeship programme and a Production Academy. Started to develop a Technical Academy and provided an average of 2.7 days training per monthly salaried employee.	Our employees are our greatest asset. Having great teams improves our business success.
Building sites are inherently dangerous places. Unsafe practices by our employees or subcontractors have the potential to cause serious injury or death.	Continued to frequently review and update our comprehensive Health, Safety and Environmental Management System to reflect changes in legislation, controls and best practice. Maintained our focus on training, delivering an average of 4.7 days of formal HSE training per person to site operational staff. Engaged with and provided training to subcontractors with regard to safety.	Health and safety at Taylor Wimpey is the non-negotiable top priority. We will not compromise in ensuring that everyone leaves our sites safe and well.

Example

The Berkeley Group plc
Sustainability

Risks and opportunities

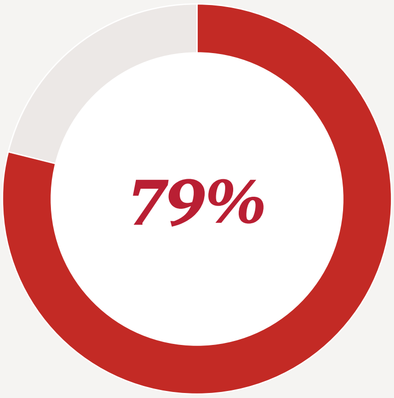
Key Risks	Financial impact	Management approach
Negative impact on local communities	Reduced likelihood of gaining planning permission within the same area	Undertaking regular site sustainability assessments
Failure to meet expectations	Failure to gain planning approval Reduced market value of homes in poorly functioning communities which do not meet local needs	Commitment to apply Berkeley's Community Engagement Strategy on every planning application Continuing to assess the social sustainability of our developments

Key Opportunities	Financial impact	Management approach
Creation of new successful places	Higher sales due to desirability of the location of our homes Increased market value of homes due to the customer appeal of the location	Commitment to monitor our design against performance standards Using our social sustainability framework to inform the planning and delivery of our places
Communities	Increased likelihood of obtaining planning permission in the same area	All sites are registered with the Considerate Constructors Scheme
Developing a highly skilled workforce	A highly skilled and stable workforce has the potential to be more productive	Provide health and safety and sustainability training for employees
Have a positive impact on society	Positive reputational benefits Operational costs of running the Berkeley Foundation	Invest £2 million by May 2014 to support young people and their communities through the Berkeley Foundation

Source: The Berkeley Group, http://www.berkeleygroup.co.uk/sustainability/governance-and-management/risks-and-opportunities
Source: Taylor Wimpey CR Report 2013, http://asp-gb.secure-zone.net/v2/index.jsp?id=624/2128/8573&lng=en
Source: Carillion Sustainability Report 2013, http://sustainability2013.carillionplc.com/our-business/governance-sustainability-management/risk-opportunity.html

It’s a material world

Of the reports we reviewed:



Explain the process the company uses to identify its material issues.
(FTSE 250: 53%)

Of the reports we reviewed:

- The top reports clearly identify their material issues, usually through a materiality matrix.
- They disclose the process which they went through to determine material issues and which stakeholders were involved in this process.

Tips to make your reporting more effective:

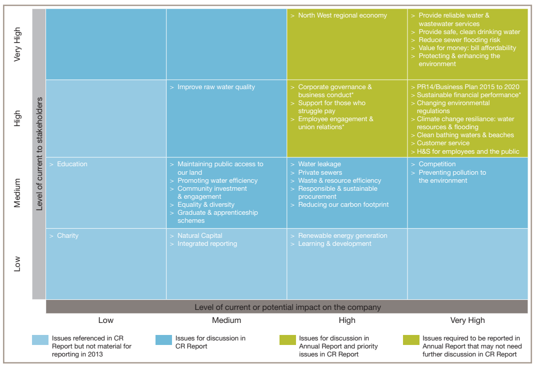
- Report which issues your business has deemed to be material and the process that was undertaken to define these issues. Disclose the frequency by which this process is revisited.
- Illustrate which stakeholders were involved in your materiality process.
- Focus your reporting on issues deemed material.

Demonstrate an understanding of the sustainability issues relevant to you and your key stakeholders; report only those of material importance.

Example

United Utilities Group plc Corporate Responsibility Report 2013

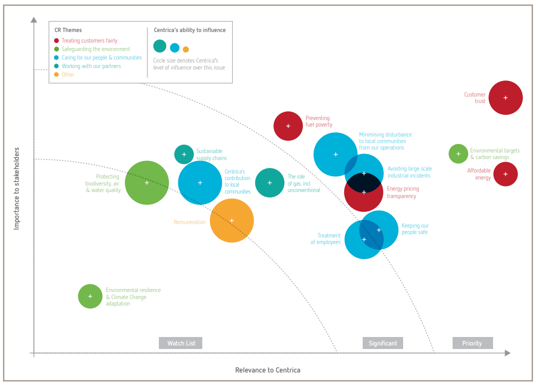
Materiality Matrix



Example

Centrica plc Corporate Responsibility Review 2013

Page 41: Managing corporate responsibility



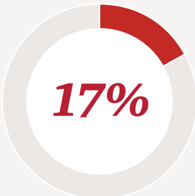
Source: United Utilities CR Report 2013, http://corporateresponsibility2013.unitedutilities.com/documents/Materiality_Matrix2013.pdf
Source: Centrica, http://www.centrica.com/index.asp?pageid=1073

Financial incentives

Cash is still king

Of the reports we reviewed:

Disclose the financial significance of key sustainability opportunities. (FTSE 250: 40%)



Disclose the financial significance of key sustainability risks. (FTSE 250: 27%)

Of the reports we reviewed:

- The top reports disclose specific financial figures related to sustainability risks and opportunities.
- They discuss how the company plans to maximise economic benefits, and minimise risk, related to sustainability.

Tips to make your reporting more effective:

- Provide specific figures tied to savings or income for sustainability-related activities.
- Disclose costs or losses, including potential costs or losses, related to sustainability performance.

Example

Johnson Matthey plc
Annual Report and Accounts 2014

Page 10: Our business

Illustrate how your sustainability strategy has had an impact on the bottom line. Identify and define potential means of maximising economic benefits going forward.

Example

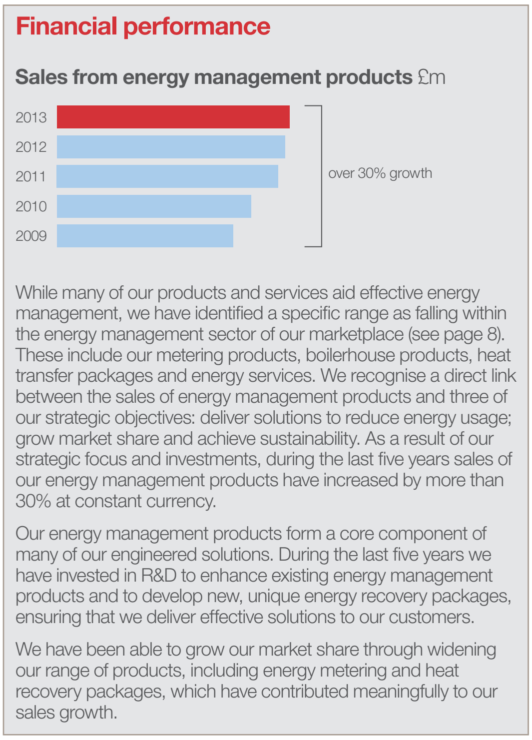
WPP plc
Sustainability Report 2013/2014

Page 16: The impact of our work

Example

Spirax-Sarco Engineering plc
Annual Report and Accounts 2013

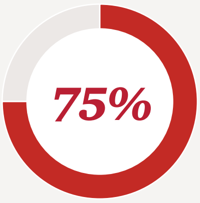
Page 50: Our business



Source: WPP SR, http://www.wpp.com/wpp/cr/sustainability-report-archive/
Source: Spirax Sarco AR, http://www.spiraxsarcoengineering.com/pdfs/reports/2013-annual-report.pdf
Source: Johnson Matthey Annual Report 2014, http://www.matthey.com/documents/pdfs/2013_14/annual-report/jm-ar-2014.pdf

The great beyond

Of the reports we reviewed:



Consider impacts in the upstream value chain. (FTSE 250: 78%)

Consider impacts in the downstream value chain. (FTSE 250: 89%)

Of the reports we reviewed:

- The top reports consider both upstream and downstream impacts in their materiality assessments.
- They disclose both negative and positive impacts across the value chain.

Tips to make your reporting more effective:

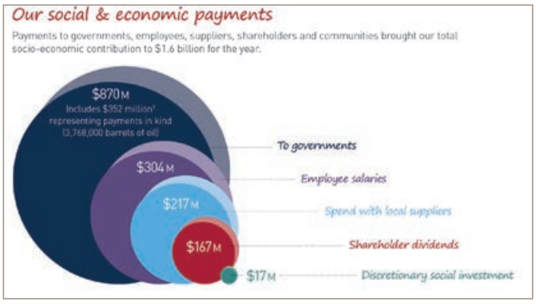
- Consider the entire value chain when assessing and reporting on your material issues, e.g. the downstream impacts of your products (e.g. water use by consumers related to your products) and services and the upstream impacts of your supply chain (e.g pollution from mining activities).
- Report on the material impacts across your value chain, both positive (e.g. employment) and negative (e.g. resource use or pollution) and strategies in place to minimise or maximise these.
- Include impacts in relation to all relevant non-financial capitals, e.g. intellectual, human, social and natural capital.

Consider relevant extended upstream and downstream value chain aspects of your business in order to take account of all its environmental, social and economic impacts, both positive and negative.

Example

Tullow Oil plc
2013 Corporate Responsibility Report

Page 36: Our social & economic payments



Example

InterContinental Hotels Group plc
Corporate Responsibility Report

CR approach

Our economic study estimates that IHG hotel operations and the spending associated with those hotels supports close to 2 million jobs and $100 billion in sales.

In 2010 we commissioned Oxford Economics to look into the economic impacts of the hospitality industry and IHG in particular.

The research provided firm evidence for what we already knew – that the impacts of our hotels go far beyond providing rooms and jobs, and paying taxes. The money spent by our guests, employees, partners and suppliers has a broad impact on local economies and supports local communities. It stimulates spending, creates new jobs, generates new business in almost all other sectors and helps local communities thrive.

Of the 960 million people who turn to travel and tourism for business, pleasure and celebration every year, roughly 153 million of them will stay at an IHG hotel. That's over 400,000 people at an IHG hotel every night. For each $100 those guests spend in a hotel, about $700 goes into the local economy. Business travellers create an even greater impact, with every $100 spent in our hotels returning $1,200 to businesses and communities. More money is spent in local communities by our employees – about 75 people work in an average hotel – and the 10, on average, partners and suppliers we work with.

At the global level, these benefits are multiplied. With over 4,600 hotels in almost 100 countries and territories we are able to put our size and scale to good use, pulling together to have an even greater economic impact. This is particularly important to developing economies that rely heavily on travel and tourism.

To analyse the full extent of our impact, the study focused on three key markets, the US, the UK and Brazil.

Example

SABMiller plc
Sustainable Development Summary Report 2014

Page 7: Our approach to taxation

Direct economic value generated[a]	Economic value distributed					Economic value retained
	Operating costs	**Employee remuneration[b]**	**Payments to providers of capital**	**Payments to tax authorities[c]**	**Community investments[d]**	
Revenue plus interest and dividend receipts, royalty income and proceeds of sales of assets	Cost of materials, services and facilities	Cost of employees' salaries and benefits	All financial payments made to the providers of the company's capital	Tax paid, including remittance taxes and excise taxes	Voluntary contributions and investment of funds in the broader economy	Value retained for corporate and operational purposes, including funding future capital expenditure and acquisitions
US$ 24,254 m	US$ 9,052 m	US$ 2,337 m	US$ 2,942 m	US$ 7,203 m	US$ 32 m	US$ 2,688 m

[a] This table is constructed based on data contained in the SABMiller 2014 Annual Report and follows guidance recommended by the Global Reporting Initiative (GRI EC1).
[b] Excludes share option charges, includes employer taxes and social security contributions.
[c] Excludes VAT, indirect taxes and taxes borne by employees.
[d] Includes cash donations, value of gifts in kind and time donated, and management costs of CSI activity.

Source: Tullow Oil CR Report 2013, p. 36 http://www.tullowoil.com/files/pdf/reports/TLW_CR_2013.pdf
Source: IHG CR Report 2013, p. 14 http://www.ihgplc.com/index.asp?pageid=727
Source: SABMiller Sustainable Development Report 2014, p. 7 http://www.sabmiller.com/docs/default-source/investor-documents/reports/2014/sustainability-reports/sustainable-development-report-2014.pdf?sfvrsn=14

Remuneration

Pay as you go

Of the reports we reviewed:

Show linkage between sustainability performance and remuneration.
(FTSE 250: 44%)

Of the reports we reviewed:

- The best reports disclose a clear link between the company's sustainability performance and the remuneration of senior management and directors.
- They also report on how staff other than senior management and directors are incentivised to deliver on the sustainability strategy, including through non-financial rewards.

Tips to make your reporting more effective:

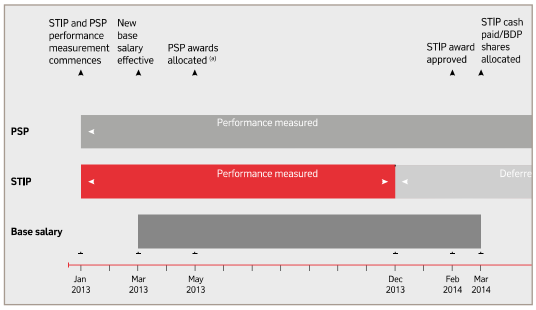
- Disclose any sustainability-related goals that have been included in metrics for variable pay for senior management and directors.
- Be specific in disclosing how sustainability performance impacts remuneration.
- Report on how staff are incentivised to deliver on the sustainability strategy throughout the company, and include non-financial incentives (e.g. employee awards).

Explain how directors and staff are incentivised to deliver on the sustainability strategy and the goals set. Ensure that the reader can understand the link between remuneration and actual performance.

Example

Rio Tinto plc
2013 Annual Report

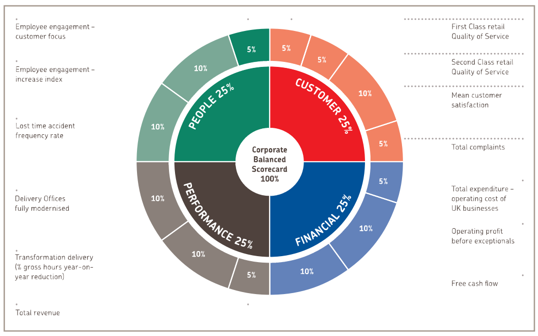
Page 91: STIP measures, weightings and targets for 2014



Example

Royal Mail plc
Corporate Responsibility Report 2012–2013

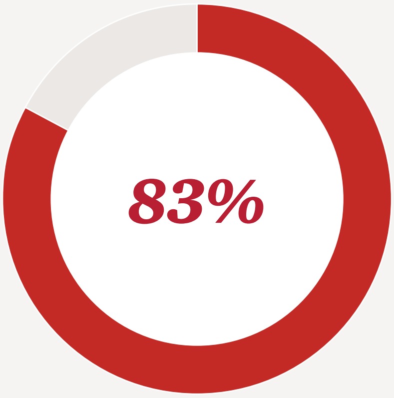
Page 13: Corporate balanced scorecard



Source: Rio Tinto Annual Report 2013, p. 91 http://www.riotinto.com/documents/RT_Annual_report_2013.pdf
Source: Royal Mail CR Report 2012-13, pp. 12-13 http://www.royalmailgroup.com/sites/default/files/2012-13_RMG_CR_Report_online_final.pdf

Ask around

Of the reports we reviewed:



Describe key issues identified by stakeholders. (FTSE 250: 78%)

Explain how you engage with principal stakeholders and how this has impacted your sustainability strategy and reporting.

Of the reports we reviewed:

- Top reports identify key internal and external stakeholder groups and describe issues that were identified as important by each group.
- They also disclose how stakeholder consultation informed the materiality process and what actions have been taken in response to stakeholder concerns.

Tips to make your reporting more effective:

- Identify and disclose key internal and external stakeholders.
- Describe issues that stakeholders identified as important and, where relevant, what actions have been taken in responses to specific issues.
- Show linkage between stakeholder consultations and the materiality process.

Example

The British Land Company plc Stakeholder Engagement Report 2014

Page 3: Online CR Consultation

The choice of issues was informed by stakeholder feedback from our first online corporate responsibility survey in 2012. Both surveys were carried out by IMS Consulting. Participating stakeholders included retail and office occupiers, community contacts, investors and analysts, our staff, suppliers, local and central government, media, NGOs and CR specialists. The tables to the right show how our stakeholders rated the selected social and environmental issues for importance and how they evaluated our performance.

SOCIAL ISSUES*

	IMPORTANCE	OUR PERFORMANCE
Forced labour	5.30	2.46
Child labour	5.11	1.86
Fair pay	3.43	6.24
Training and skills	2.57	3.57
Local employment	2.35	3.21
Diversity	2.01	5.00
Living wage	1.70	1.62
Employment, training and education for young people	1.40	1.72
Local and SME procurement	1.28	1.67
Zero hours contracts	0.67	1.17

ENVIRONMENTAL ISSUES*

	IMPORTANCE	OUR PERFORMANCE
Waste management in construction	8.04	18.75
Embodied carbon in development	3.44	8.40
Use of virgin materials in construction	2.29	6.06
On-site renewables	2.04	3.55
Climate change adaptation	1.60	2.42
Biodiversity on our developments	0.94	5.06
Biodiversity in our supply chain	0.59	2.69

Example

The Royal Bank of Scotland Group plc RBS Sustainability Review 2013

Page 9: Our approach to sustainability

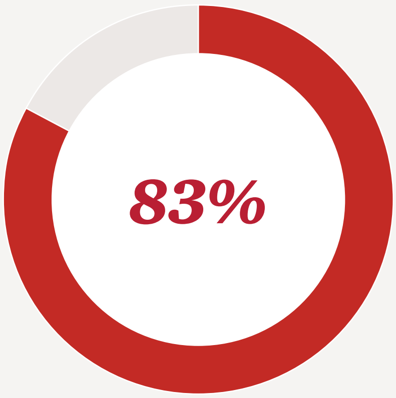
Stakeholder Group	Primary engagement mechanism
Customers	Customer surveys, including Net Promoter Score as well as syndicated surveys, focus groups, complaints data.
Employees	Our Employee Opinion Survey, regular Pulse surveys, intranet comments boards, team meetings, town halls, all staff audios.
Suppliers	Engagement with contract managers.
Government	Regular monthly interaction audios/meetings, industry forums, policy trend analysis.
Regulatory Bodies	Regular meetings.
Civil Society	Forums, meetings, stakeholder engagement sessions.
Social partners	Regular meetings, annual conferences.
Investors	Investor relations briefings, investor roadshows, stakeholder engagement sessions.
Media	Engagement through Media Relations team, media briefings, regular meetings.

Stakeholder Group	Main issues raised during 2013
Customers	Access to finance, customer service, selling and lending practices, fees and charges, debt management.
Employees	Wellbeing and resilience, job security, leadership development, talent attraction and retention, disability, gender equality, ethnicity, sexual orientation.
Suppliers	Timely payment, RBS strategy and impact on marketplace, supplier diversity, feedback on customer service.
Government	Interest rates, branch closures, mortgage arrears (ROI), regulation of bank fees, lending, support for SMEs, lending appeals process, financial education, financial capability, signposting to alternative access to finance.
Regulatory Bodies	Culture change, lending, banking reform, responsible tax practices, remuneration.
Civil Society	Technological advancements, youth employability, access to finance, payday lending, self service in a digital world, complaint handling, environmental social and ethical risk management, financing fossil fuels, financial education, financial capability.
Social partners	Remuneration, policy, health and safety, restructuring, wellbeing and diversity.
Investors	Culture change, remuneration, business model, company financial health, governance and accountability.
Media	Transparency, pro-active communciations.

Source: British Land stakeholder engagement report, http://www.britishland.com/~/media/Files/B/British-Land/reports-and-presentations/reports-archive/2013-Stakeholder-Engagement-Report.pdf
Source: RBS SR 2013, http://www.rbs.com/content/dam/rbs/Documents/Sustainability/RBS_Sustainability_Report_2013.pdf

Reach out

Of the reports we reviewed:



Use alternative ways of communication to reach out to stakeholders.
(FTSE 250: 67%)

Of the reports we reviewed:

- Top reports are well-structured and readable, and key information is easy to find.
- The best reporting also uses multiple communication channels, e.g. videos, blogs, interactive graphics, to deliver content.

Tips to make your reporting more effective:

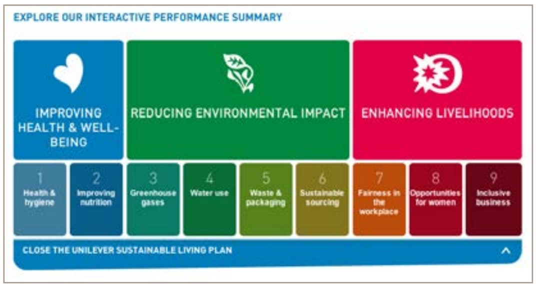
- Ensure that reports are logically structured and designed in a way that is easy to read.
- Make key information easy for readers to find, e.g. by using clear section headings and thematic colour coding.
- Consider using communications channels such as videos and interactive graphics to deliver information effectively.

Use multiple communication channels thoughtfully. Ensure that the medium, content and style are tailored to both the audience and messages being delivered.

Example

Unilever plc
Sustainable Living 2014

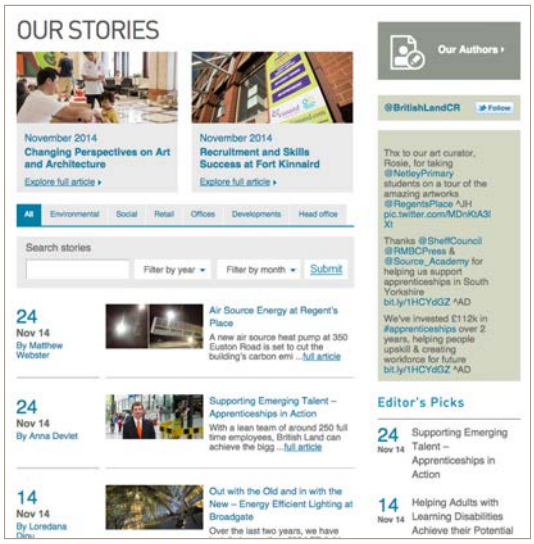
Explore our interactive performance summary



Example

The British Land Company plc
Responsibility Our Stories

Website: Our Stories

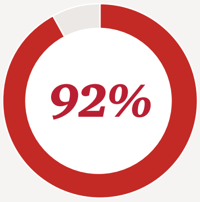


Source: Unilever, http://www.unilever.com/sustainable-living-2014/
Source: British Land, http://views.britishland.com

Governance

Big brother

Of the reports we reviewed:



Describe the company's sustainability governance structure. (FTSE 250: 100%)

Identify the board member responsible for sustainability. (FTSE 250: 67%)

Of the reports we reviewed:

- Top reports provide both a narrative description and a graphic explaining how the company's sustainability governance system operates.
- They also identify the company board member with primary responsibility for sustainability issues.

Tips to make your reporting more effective:

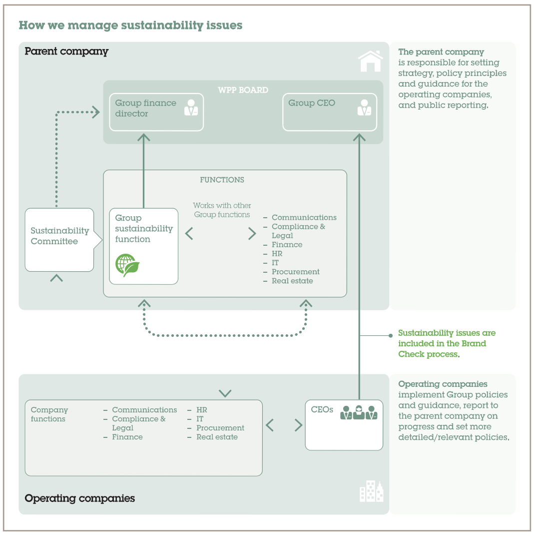
- Provide a narrative description and a graphic that explain the company's sustainability governance system and how it fits into the overall governance structure.
- Describe sustainability policies that have been implemented and explain how management ensure that the policies are working.
- Clearly identify by name and position the board member responsible for sustainability, e.g. the chair of the sustainability committee.

Explain how your sustainability governance system operates. Identify the board member responsible for sustainability issues, describe the policies that have been implemented and explain how management ensure that these policies are working.

Example

WPP plc
Sustainability Report 2013/2014

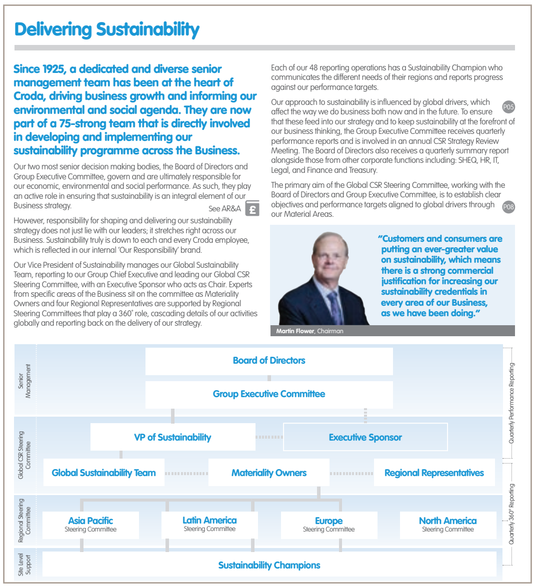
Page 65: How we manage sustainability issues



Example

Croda International plc
Sustainability Report 2013

Page 37: Delivering sustainability



Delivering Sustainability

Since 1925, a dedicated and diverse senior management team has been at the heart of Croda, driving business growth and informing our environmental and social agenda. They are now part of a 75-strong team that is directly involved in developing and implementing our sustainability programme across the Business.

Our two most senior decision making bodies, the Board of Directors and Group Executive Committee, govern and are ultimately responsible for our economic, environmental and social performance. As such, they play an active role in ensuring that sustainability is an integral element of our Business strategy.

See AR&A

However, responsibility for shaping and delivering our sustainability strategy does not just lie with our leaders; it stretches right across our Business. Sustainability truly is down to each and every Croda employee, which is reflected in our internal 'Our Responsibility' brand.

Our Vice President of Sustainability manages our Global Sustainability Team, reporting to our Group Chief Executive and leading our Global CSR Steering Committee, with an Executive Sponsor who acts as Chair. Experts from specific areas of the Business sit on the committee as Materiality Owners and four Regional Representatives are supported by Regional Steering Committees that play a 360˚ role, cascading details of our activities globally and reporting back on the delivery of our strategy.

Each of our 48 reporting operations has a Sustainability Champion who communicates the different needs of their regions and reports progress against our performance targets.

Our approach to sustainability is influenced by global drivers, which affect the way we do business both now and in the future. To ensure that these feed into our strategy and to keep sustainability at the forefront of our business thinking, the Group Executive Committee receives quarterly performance reports and is involved in an annual CSR Strategy Review Meeting. The Board of Directors also receives a quarterly summary report alongside those from other corporate functions including: SHEQ, HR, IT, Legal, and Finance and Treasury. P05

The primary aim of the Global CSR Steering Committee, working with the Board of Directors and Group Executive Committee, is to establish clear objectives and performance targets aligned to global drivers through our Material Areas. P08

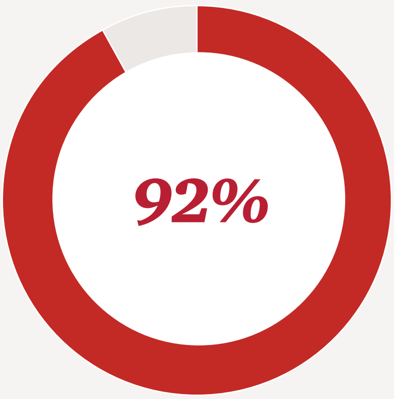
"Customers and consumers are putting an ever-greater value on sustainability, which means there is a strong commercial justification for increasing our sustainability credentials in every area of our Business, as we have been doing."

Martin Flower, Chairman

Source: WPP SR, http://www.wpp.com/wpp/cr/sustainability-report-archive/
Source: Croda SR 2013, http://www.croda.com/home.aspx?s=1&r=79&p=1810

Prove it

Of the reports we reviewed:



Are externally assured.
(FTSE 250: 44%)

Of the reports we reviewed:

- The best reports ensure the credibility of reported content by reference to independent studies, external benchmarking, expert review panels or through conventional assurance.
- Where assurance has been provided, the best reports disclose the assurance opinion.

Tips to make your reporting more effective:

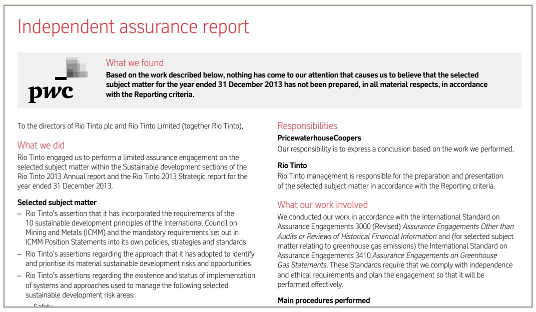
- Reference independent data, e.g. external benchmarking, to ensure the credibility of your reporting.
- Consider obtaining assurance over the sustainability data you report.
- If you obtain assurance, include the assurance opinion, which should clearly state the scope of the work, assurance standard and work completed, in the report.

Ensure the credibility of your reported content, for example, by reference to independent studies, external benchmarking, expert review panels or through conventional assurance. Where assurance is used the opinion should clearly state the scope of work.

Example

Rio Tinto plc Annual Report 2013

Page 25: Independent assurance report



Independent assurance report

pwc

What we found

Based on the work described below, nothing has come to our attention that causes us to believe that the selected subject matter for the year ended 31 December 2013 has not been prepared, in all material respects, in accordance with the Reporting criteria.

To the directors of Rio Tinto plc and Rio Tinto Limited (together Rio Tinto),

What we did

Rio Tinto engaged us to perform a limited assurance engagement on the selected subject matter within the Sustainable development sections of the Rio Tinto 2013 Annual report and the Rio Tinto 2013 Strategic report for the year ended 31 December 2013.

Selected subject matter

– Rio Tinto's assertion that it has incorporated the requirements of the 10 sustainable development principles of the International Council on Mining and Metals (ICMM) and the mandatory requirements set out in ICMM Position Statements into its own policies, strategies and standards
– Rio Tinto's assertions regarding the approach that it has adopted to identify and prioritise its material sustainable development risks and opportunities
– Rio Tinto's assertions regarding the existence and status of implementation of systems and approaches used to manage the following selected sustainable development risk areas:

Responsibilities

PricewaterhouseCoopers
Our responsibility is to express a conclusion based on the work we performed.

Rio Tinto
Rio Tinto management is responsible for the preparation and presentation of the selected subject matter in accordance with the Reporting criteria.

What our work involved

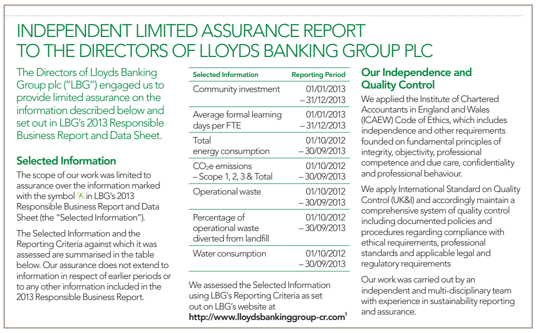
We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and (for selected subject matter relating to greenhouse gas emissions) the International Standard on Assurance Engagements 3410 *Assurance Engagements on Greenhouse Gas Statements*. These Standards require that we comply with independence and ethical requirements and plan the engagement so that it will be performed effectively.

Main procedures performed

Example

Lloyds Banking Group plc Responsible Business Report 2013

Page 81: Independent limited assurance report



INDEPENDENT LIMITED ASSURANCE REPORT
TO THE DIRECTORS OF LLOYDS BANKING GROUP PLC

The Directors of Lloyds Banking Group plc ("LBG") engaged us to provide limited assurance on the information described below and set out in LBG's 2013 Responsible Business Report and Data Sheet.

Selected Information

The scope of our work was limited to assurance over the information marked with the symbol A in LBG's 2013 Responsible Business Report and Data Sheet (the "Selected Information").

The Selected Information and the Reporting Criteria against which it was assessed are summarised in the table below. Our assurance does not extend to information in respect of earlier periods or to any other information included in the 2013 Responsible Business Report.

Selected Information	Reporting Period
Community investment	01/01/2013 – 31/12/2013
Average formal learning days per FTE	01/01/2013 – 31/12/2013
Total energy consumption	01/10/2012 – 30/09/2013
CO_2e emissions – Scope 1, 2, 3 & Total	01/10/2012 – 30/09/2013
Operational waste	01/10/2012 – 30/09/2013
Percentage of operational waste diverted from landfill	01/10/2012 – 30/09/2013
Water consumption	01/10/2012 – 30/09/2013

We assessed the Selected Information using LBG's Reporting Criteria as set out on LBG's website at **http://www.lloydsbankinggroup-cr.com**[1]

Our Independence and Quality Control

We applied the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (UK&I) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

Our work was carried out by an independent and multi-disciplinary team with experience in sustainability reporting and assurance.

Example

Next Group plc Corporate Responsibility Report 2013

Page 43: Independent assurance report

INDEPENDENT ASSURANCE REPORT

next
CORPORATE RESPONSIBILITY REPORT TO JANUARY 2013

Independent Assurance Report to the Directors of Next plc

The Directors of Next plc ("Next") engaged us to provide limited assurance on the information described below and set out in Next's Corporate Responsibility Report 2013 for the year ended 31 January 2013.[1]

What we are assuring ("Selected Information")

The selected corporate responsibility (CR) data subject to assurance for the year ended 31 January 2013 is indicated by the following symbol ☑. This consists of:

- Number of supplier audits carried out (set out on page 10);
- Tonnes of waste (set out on page 27);
- The following elements of the Next Global Direct Carbon Footprint (set out on page 25);

Understanding reporting and measurement methodologies

There are no globally recognised and established practices for evaluating and measuring the Selected Information. The range of different, but acceptable, techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The "Reporting Principles, Criteria and Methodologies" document used as the basis of Next's reporting should therefore be read in conjunction with the Selected Information and associated statements reported within Next's Corporate Responsibility Report 2013.

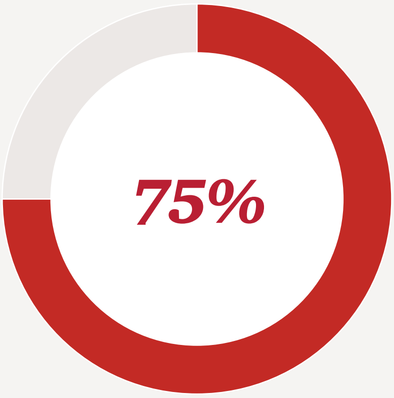
Work done

In considering the risk of material misstatement of the Selected Information we:

Source: http://www.riotinto.com/documents/RT_Annual_report_2013.pdf
Source: http://www.lloydsbankinggroup-cr.com//sites/default/files/downloadables/RB_Report.pdf
Source: http://www.nextplc.co.uk/~/media/Files/N/Next-PLC/pdfs/corporate-responsibility-report/cr-2013-v2.pdf

Future proofing

Of the reports we reviewed:



Discuss future constraints on natural capital availability.
(FTSE 250: 56%)

Of the reports we reviewed:

- The top reports disclose whether the company has significant use of natural capitals and its expectations of the future constraints on these capitals.
- Where constraints are anticipated, the best reports describe a strategy for managing scarcity.

Tips to make your reporting more effective:

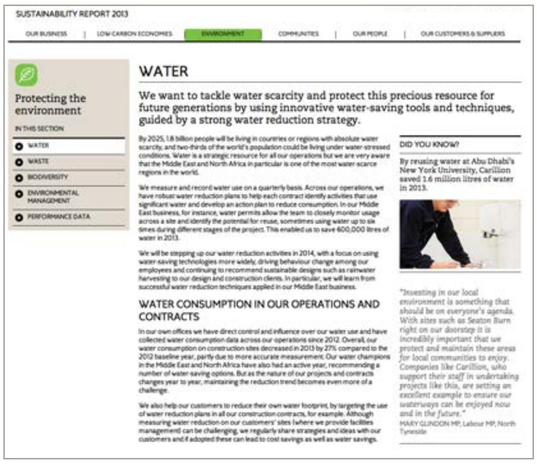
- Disclose significant use of natural capitals, e.g. water, land.
- Explain whether you expect that the availability of any of these natural capitals might be restricted in the future.
- If you anticipate possible resource constraints, describe your strategy for managing this risk.

Explain whether you have any significant use of natural capitals and the expectations of the future availability/ constraints of these capitals. If you consider that the use of these capitals may become restricted in the future explain your strategy to manage this.

Example

Carillion Sustainability Report 2013

Water



SUSTAINABILITY REPORT 2013

OUR BUSINESS | LOW CARBON ECONOMIES | ENVIRONMENT | COMMUNITIES | OUR PEOPLE | OUR CUSTOMERS & SUPPLIERS

Protecting the environment

IN THIS SECTION

- WATER
- WASTE
- BIODIVERSITY
- ENVIRONMENTAL MANAGEMENT
- PERFORMANCE DATA

WATER

We want to tackle water scarcity and protect this precious resource for future generations by using innovative water-saving tools and techniques, guided by a strong water reduction strategy.

By 2025, 1.8 billion people will be living in countries or regions with absolute water scarcity, and two-thirds of the world's population could be living under water-stressed conditions. Water is a strategic resource for all our operations but we are very aware that the Middle East and North Africa in particular is one of the most water-scarce regions in the world.

We measure and record water use on a quarterly basis. Across our operations, we have robust water reduction plans to help each contract identify activities that use significant water and develop an action plan to reduce consumption. In our Middle East business, for instance, water permits allow the team to closely monitor usage across a site and identify the potential for reuse, sometimes using water up to six times during different stages of the project. This enabled us to save 600,000 litres of water in 2013.

We will be stepping up our water reduction activities in 2014, with a focus on using water-saving technologies more widely, driving behaviour change among our employees and continuing to recommend sustainable designs such as rainwater harvesting to our design and construction clients. In particular, we will learn from successful water reduction techniques applied in our Middle East business.

WATER CONSUMPTION IN OUR OPERATIONS AND CONTRACTS

In our own offices we have direct control and influence over our water use and have collected water consumption data across our operations since 2012. Overall, our water consumption on construction sites decreased in 2013 by 27% compared to the 2012 baseline year, partly due to more accurate measurement. Our water champions in the Middle East and North Africa have also had an active year, recommending a number of water-saving options. But as the nature of our projects and contracts changes year to year, maintaining the reduction trend becomes even more of a challenge.

We also help our customers to reduce their own water footprint, by targeting the use of water reduction plans in all our construction contracts, for example. Although measuring water reduction on our customers' sites (where we provide facilities management) can be challenging, we regularly share strategies and ideas with our customers and if adopted these can lead to cost savings as well as water savings.

DID YOU KNOW?

By reusing water at Abu Dhabi's New York University, Carillion saved 1.6 million litres of water in 2013.

"Investing in our local environment is something that should be on everyone's agenda. With sites such as Seaton Burn right on our doorstep it is incredibly important that we protect and maintain these areas for local communities to enjoy. Companies like Carillion, who support their staff in undertaking projects like this, are setting an excellent example to ensure our waterways can be enjoyed now and in the future."
MARY GLINDON MP, Labour MP, North Tyneside

Example

Rio Tinto Sustainable Development 2013

Page 59–60: Water

Water

Targeting improvements locally

Water is a vital resource for communities and ecosystems and is essential to our operations. Our operations rely on the ability to obtain water of suitable quality and quantity, and are committed to using water responsibly. Our approach to water management is based on the identification, assessment and control of water-related risks.

Each operation has its own water challenges. Some are located in water-scarce environments. Others need to manage surplus water from storms or groundwater, or the quality of water we use and discharge to the environment. We work with neighbouring communities to manage our impacts, and look for opportunities to provide clean drinking water in countries where water is unsuitable or insufficient to meet community needs.

Approach

At Rio Tinto, we use water from different sources and of different qualities, such as groundwater, surface water (sourced from rivers, lakes, rain and snow), seawater or water from dams that we build on site. We focus on ways to minimise the amount of water we remove from the environment, reuse it whenever we can, and return it to the environment, meeting regulatory limits.

Where possible, we use recycled water. Some sites have been able to recycle up to 70 per cent of their water; others source it from external treatment plants. At many sites, we replace use of high-quality (potable) water with poorer-quality water to conserve local water supplies.

Water impacts are normally experienced locally. Our activities can impact the quantity or quality of nearby water resources. These impacts may then pose risks to production, access to water supplies, costs and our reputation, all of which can affect our licence to operate. They can also result in regulatory changes.

Over the past five years, Rio Tinto has experienced production losses as a result of water-related impacts, for example, storm water flooding our mines. The potential impacts of climate change will bring greater uncertainty to our water supplies and water management into the future.

We have developed a number of programmes to improve our performance, including:

– A **Group water target** that aims to reduce freshwater use per tonne of product by six per cent by 2013 from a 2008 baseline.
– A **water standard** that is audited and sets the minimum expectations for each operation when managing water. As part of the standard, operations are required to measure water use, reduce potential impacts on water resources, and understand current and future water requirements of upstream and downstream stakeholders.
– A **water risk review** that helps operations assess their water risks and opportunities.

For our approach to water to succeed, we need good working relationships with those directly or indirectly affected by our businesses, for example Indigenous and other land owners, communities, governments, investors, the scientific and financial communities, and employees. We have worked with international organisations committed to sustainable water management, the International Council for Mining and Metals (ICMM), governments and national industry water organisations to support the development of water policy.

We have used the World Business Council for Sustainable Development global water tool to identify which of our operations and projects are located in water-scarce environments. Approximately 29 per cent of our freshwater withdrawal is from 36 operations in water-scarce environments. The map below shows that our greatest exposure relates to many of our Australian operations.

Operations and projects located in areas of water scarcity

Source: http://sustainability2013.carillionplc.com/environment/water.html
Source: http://www.riotinto.com/sustainabledevelopment2013/downloads.html

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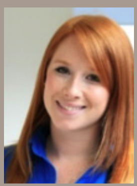

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PwC has long been at the forefront of thinking around sustainability. The UK sustainability practice has over 15 years of experience delivering insight and solutions to clients around the world.

Design Services 28895 (11/14).

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