Purpose and impact in sustainability reporting

A review of leading UK companies

Building Public Trust
November 2019
This year’s Building Public Trust Awards mark the 11th year that we have been reviewing sustainability reporting across the FTSE 350, public interest entities (PIEs), and, more recently inbound companies.

Over the past 12 months the growth of public awareness and concern over climate change (more frequently now referred to as a ‘climate emergency’) has seen a huge uptick. There is a strong consensus that if we do not achieve real change in the way we use and consume the Earth’s natural resources over the next 10 years then the consequences will be catastrophic. Furthermore, since the release of David Attenborough’s ‘Blue Planet II’ in 2017, sustainability issues such as biodiversity loss and ocean plastics have entered the public consciousness like never before. Society is increasing its expectations of the role businesses should play in tackling these issues, organisations are expected to not only minimise their negative impacts but to contribute positively too.

Over the past few years, we have seen companies taking greater responsibility in helping move towards a cleaner and more sustainable planet. Many are articulating this as part of their corporate purpose that is central to their business strategy.

This award celebrates the ‘Purpose and impact in sustainability reporting’. I believe that a transparent, concise and ambitious purpose is key for businesses to mitigate sustainability risk in today’s volatile and unpredictable environment.

Our analysis of this year’s reporting was presented to an independent panel, which chose a winner alongside two highly commended companies. These prestigious awards are presented at our annual Building Public Trust Awards lunch. You can see the winning and highly commended organisations at www.bptawards.com.

In choosing the winner, we reviewed reporting of over 470 organisations. Our in-depth approach and our long history of these reviews give us insight into what a great report looks like, and how innovation in the reporting is developing.

This year’s report of leading practice examples now includes 3 additional chapters that spotlight on the SDGs and TCFDs – our key findings, reporting trends and a range of some good practice examples; and a further chapter highlighting some international examples of innovative, purpose and impact driven sustainability reporting.
**Purposeful business**

Companies are becoming more transparent about their corporate purpose. We are seeing companies using their purpose to demonstrate the value that they bring to society and the impact they have on their environment. Of the FTSE100 companies reviewed, 71% clearly described their purpose in their corporate reporting, a 5% improvement relative to last year.

Although FTSE250 companies are less likely to disclose a purpose in their reporting, we have seen a 19% improvement compared to last year.

**Greater recognition of climate change risks**

With the impact of climate change on business operations becoming more significant, we are seeing increasing disclosure of future-proofing in corporate reporting. Interestingly, 76% of FTSE100 companies reviewed mentioned the Task Force on Climate-related Financial Disclosure (TCFD). The TCFD encourage companies to report on how a changing environment will impact their business and its performance.

Since the initial publication in 2017, more than 800 companies across the world have publicly committed to report on climate-related issues, particularly focusing on governance, strategy, risk management, and metrics and targets. Although we have seen a greater acknowledgement of the TCFD in corporate reporting, only 22% conducted scenario analysis. We expect more companies to conduct this form of assessment as stakeholders place greater importance on mitigating climate change risks.

**Top scoring industries**

Companies from the retail and consumer, as well as industrial products are the best represented industries across our higher scorers. Of the top 20 best scoring companies, 65% are listed in the FTSE100, whereas only 10% are classified as a FTSE250. Nevertheless, the gap between these companies is becoming less profound as the quality in reporting from smaller companies (measured in terms of market capitalisation) improves.

**Integrating SDGs into business strategy**

We have seen a continued increase in companies recognising the importance of the UN Sustainable Development Goals (SDGs). This year, 72% of the companies we reviewed explicitly mentioned the SDGs, compared to 64% last year. Prioritising the goals is only the first step in SDG reporting as executives should be aiming to fully integrate the SDGs in their business strategy. More companies have attempted to align their strategy to the SDGs, and we expect this figure to increase year on year. In this years report, we have included a detailed SDG assessment, providing greater insights into the trends and best reporting tips.

I hope this document will be useful in helping you to communicate your purpose and wider impacts in your sustainability reporting.
About this report

This report contains a selection of leading examples that we at PwC have identified following our review of annual reports, sustainability reports and associated websites of the FTSE 350, PIEs and selected inbounds. The leading practice examples are organised into five sections, each of which forms a key building block of good reporting, i.e. reporting that:

- Answers how an organisation considers its environmental and social impact in the context of its purpose and strategy;
- Discloses the way in which it operates and reports this in an open and transparent manner;
- Is fair, balanced and understandable; and
- Is mindful of broader stakeholder needs and how value creation by a business is shared with this wider groupage

Despite a constantly changing political, social and economic landscape, ever increasing and complex regulatory frameworks and reporting trends that continue to develop, we have found very little change over the years in the fundamental components of a good practice report. In this booklet we share these features, organised under the five key questions which your reporting should answer:

1. How does sustainability fit with your organisation's purpose and strategy?
2. How do you consider your priorities?
3. How do you monitor and manage performance?
4. How do you consider the broader viability of the business?
5. How do you report with clarity and transparency?

This year we have included 3 additional chapters that spotlight TCFD and SDG reporting and trends in International reports.

We give advice on how your reporting can be improved, and show some of the best examples we’ve found this year of each essential aspect of a good report.

If you would like more personalised advice on your own reporting, do get in touch with us – our contact details are on the back page. You can also find more examples of good practice by visiting our [website](#).
## An overview of good practice sustainability reporting

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## An overview of good practice sustainability reporting

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<tr>
<td><strong>How does sustainability fit with your organisation’s purpose and strategy?</strong></td>
<td>This helps the reader to view your sustainability information against the wider context of your organisation’s remit. The overview is also important for clarifying the scope of the data in the report, which activities are covered and which are not.</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td>This will demonstrate to the reader why your business exists and what you seek to achieve, creating a shared ambition that is core to your business and clear to all stakeholders.</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>This will prove to the reader that sustainability is not just an ‘add-on’ for your organisation but is considered in every activity. Having a short, medium and long term sustainability strategy will help you track your progress towards key sustainability goals in the future.</td>
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<td><strong>Materiality</strong></td>
<td>This will prove to the reader that you are focusing on the most important sustainability issues where your efforts will have the greatest impact.</td>
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<td><strong>Stakeholder Engagement</strong></td>
<td>This shows the reader that you have considered a wide range of views and therefore made informed decisions about prioritising and acting on your sustainability issues.</td>
</tr>
<tr>
<td><strong>Risks and Opportunities</strong></td>
<td>This gives the reader confidence that you have considered the impacts that external sustainability factors might have on the success of your business and that you are acting on these.</td>
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<tr>
<td><strong>KPIs and Targets</strong></td>
<td>Clear presentation of progress towards targets will demonstrate to the reader that you are holding yourself accountable to the goals you have set for your organisation.</td>
</tr>
<tr>
<td><strong>Impacts</strong></td>
<td>This demonstrates to the reader that you have a thorough understanding of your wider impacts on society and the environment. This understanding will allow you to make more informed decisions towards being a more sustainable business.</td>
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<tr>
<td><strong>Governance</strong></td>
<td>This gives the reader confidence that the necessary framework and resources are in place for the strategy to be delivered. Having senior staff members listed in the governance framework further demonstrates your commitment to the strategy.</td>
</tr>
<tr>
<td><strong>Value Chain</strong></td>
<td>This demonstrates you understand the wider influence you have on sustainability issues in society. By thinking holistically you identify areas that create a greater positive impact than you can by changing your core operations.</td>
</tr>
<tr>
<td><strong>Future Proofing</strong></td>
<td>This shows the reader that you are monitoring and minimising any resource risks in order to prevent disruption to your organisation in the future.</td>
</tr>
<tr>
<td><strong>Balanced Reporting</strong></td>
<td>Acknowledgement of not only your successes but also your negative sustainability impacts gives the reader confidence that you are a self-aware organisation – one that is honest and transparent about progress towards sustainability goals.</td>
</tr>
<tr>
<td><strong>Assurance</strong></td>
<td>This gives the reader confidence in the data and confidence in the integrity of your sustainability reporting. It also gives management confidence in the company’s performance over the period.</td>
</tr>
<tr>
<td><strong>Modern Slavery</strong></td>
<td>In line with the UK Modern Slavery Act 2015, all companies with i) a global turnover of over £36 million and ii) operations in the UK, are required to comply by publishing a modern slavery statement annually. The statement demonstrates that you understand the potential risks associated with modern slavery.</td>
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### How do you consider your priorities?

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<thead>
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<th>What</th>
<th>Why</th>
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<tbody>
<tr>
<td><strong>Materiality</strong></td>
<td>Communicate a clear and succinct purpose that explains your organisation’s raison d’être beyond creating a financial return for shareholders.</td>
</tr>
<tr>
<td><strong>Stakeholder Engagement</strong></td>
<td>Describe your sustainability strategy in integrated into your core corporate strategy and demonstrate how it permeates throughout your business.</td>
</tr>
<tr>
<td><strong>Risks and Opportunities</strong></td>
<td>Demonstrate that you have an understanding of the sustainability issues that are most relevant to you and your key stakeholders.</td>
</tr>
<tr>
<td><strong>KPIs and Targets</strong></td>
<td>Identify KPIs that are directly relevant to your sustainability strategy, and set challenging but realistic targets that you can assess your performance against.</td>
</tr>
<tr>
<td><strong>Impacts</strong></td>
<td>Explain how you engage with principal stakeholders and how this has impacted your sustainability strategy.</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>Explain the key strategic risks and opportunities for your organisation that arise from sustainability issues.</td>
</tr>
<tr>
<td><strong>Value Chain</strong></td>
<td>Consider relevant upstream and downstream value chain aspects of your business in order to take account of all environmental, social and economic impacts, both positive and negative.</td>
</tr>
<tr>
<td><strong>Future Proofing</strong></td>
<td>Disclose that you have considered the future resource constraints that might affect your business e.g. non-financial capitals including natural capital and human capital.</td>
</tr>
<tr>
<td><strong>Balanced Reporting</strong></td>
<td>Present information in a balanced and transparent fashion and explain where and how improvements will be made.</td>
</tr>
<tr>
<td><strong>Assurance</strong></td>
<td>Enhance the credibility of your reported content by referencing, for example, independent studies, external benchmarking, expert review panels or external third party assurance.</td>
</tr>
<tr>
<td><strong>Modern Slavery</strong></td>
<td>Disclose your slavery and human trafficking statement in accordance with the Modern Slavery Act 2015.</td>
</tr>
<tr>
<td>Basic reporting tips</td>
<td>Intermediate reporting tips</td>
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<tr>
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</tr>
<tr>
<td>Introduce the reader to your organisation by giving an overview of your size, operations and activities.</td>
<td>Contextualise your sustainability activities in relation to the remit and objectives of your organisation.</td>
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<td>Define a clear purpose which should be a succinct statement.</td>
<td>Ensure your purpose is well-aligned to your core business activities.</td>
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<tr>
<td>Demonstrate how your sustainability strategy is integrated into your core business strategy and aligned with core objectives.</td>
<td>Clearly describe your sustainability strategy over the short, medium and long-term.</td>
</tr>
<tr>
<td>Report which issues you have identified as material and why.</td>
<td>Report on the process that was undertaken to determine material issues and which key stakeholders were involved.</td>
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<td>Identify the key internal and external stakeholders to your organisation and describe how they have been engaged.</td>
<td>Describe the issues that stakeholders have identified as important and how these have been addressed.</td>
</tr>
<tr>
<td>List out the risks and opportunities relating to sustainability that the organisation is managing.</td>
<td>Describe the action plan in place to address these risks and opportunities.</td>
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<tr>
<td>Disclose sustainability KPIs most relevant to your business, including historic performance data to show trends over time.</td>
<td>Set specific and quantifiable short and medium-term targets for these KPIs.</td>
</tr>
<tr>
<td>Specifically discuss qualitatively which areas of the environment and society you impact through your operations and supply chains.</td>
<td>Disclose quantitative indicators of the relative size of your impact on society and the environment.</td>
</tr>
<tr>
<td>Identify the board member responsible for sustainability issues and outline your sustainability governance structure.</td>
<td>Showcase how sustainability governance permeates through your business, e.g. through department heads with sustainability responsibilities.</td>
</tr>
<tr>
<td>Consider the positive and/or negative effects of your supply chain and/or your products and services in your sustainability reporting.</td>
<td>Report quantitative data on material effects from across your value chain, both positive and negative, and strategies in place to address these.</td>
</tr>
<tr>
<td>Disclose significant use of non-financial capitals, e.g. water, land, timber.</td>
<td>Explain whether you expect that the availability of any non-financial capitals might be restricted in the future.</td>
</tr>
<tr>
<td>Report progress against all targets, whether performance has been good or bad.</td>
<td>Explain poor performance and how you will address it going forward.</td>
</tr>
<tr>
<td>Reference independent data, e.g. external benchmarking, to ensure the credibility of your reporting.</td>
<td>Obtain internal or external assurance over the sustainability data in your report.</td>
</tr>
<tr>
<td>Publish a signed statement on your website by a director (or equivalent), disclosing that your company is in accordance with the Modern Slavery Act.</td>
<td>Disclose a statement that includes information against the overview of the business, related policies, and risk assessments of modern slavery risks.</td>
</tr>
</tbody>
</table>
Overview of analysis

Our analysis of FTSE 100, 250, Public Interest Entities (PIE’s) and inbound companies yielded the following statistics across the range of criteria considered by the Purpose and Impact in Sustainability reporting award.

1. How does sustainability fit with your organisation’s purpose and strategy?
   Of the FTSE 100 companies we reviewed:

   - 71% Describe the company’s key business activities and how they link to sustainability (FTSE 250: 78%)
   - 71% Describe the company’s purpose beyond making money for shareholders. (FTSE 250: 52%)
   - 80% Set out a clear sustainability strategy (FTSE 250: 78%)

2. How do you consider your priorities?
   Of the FTSE 100 companies we reviewed:

   - 88% Identify what the company believes are its material issues (FTSE 250: 87%)
   - 94% Identify internal and external stakeholders (FTSE 250: 91%)
   - 55% Outline actions taken in response to stakeholder concerns (FTSE 250: 39%)
   - 92% Explicitly identify sustainability risks (FTSE 250: 83%)
   - 33% Explicitly identify sustainability opportunities (FTSE 250: 39%)

Our analysis of FTSE 100, 250, Public Interest Entities (PIE’s) and inbound companies yielded the following statistics across the range of criteria considered by the Purpose and Impact in Sustainability reporting award.
3. How do you monitor and manage performance?
Of the FTSE 100 companies we reviewed:

- Disclose a range of sustainability KPIs (96%) (FTSE 250: 87%)
- Disclose targets for each KPI (76%) (FTSE 250: 52%)
- Specifically disclose the environmental and/or social impacts of the business (31%) (FTSE 250: 22%)
- Describe the sustainability governance structure (93%) (FTSE 250: 83%)

4. How do you consider the broader viability of the business?
Of the FTSE 100 companies we reviewed:

- Include upstream and downstream impacts in materiality assessments and/or target setting (53%) (FTSE 250: 83%)
- Discuss future constraints on their most important non-financial capitals (47%) (FTSE 250: 50%)

5. How do you report with clarity and transparency?
Of the FTSE 100 companies we reviewed:

- Give adequate attention to reporting negative and positive performance (80%) (FTSE 250: 83%)
- Have external assurance on some sustainability metrics (90%) (FTSE 250: 83%)
- Discloses a slavery and human trafficking statement in accordance with the Modern Slavery Act 2015 (96%) (FTSE 250: 100%)
How does sustainability fit with your organisation’s purpose and strategy?
1.1 Organisation overview

Provide an overview of your organisation’s key activities and the environment in which you operate.

This helps the reader to view your sustainability information against the wider context of your organisation’s remit. The overview is also important for clarifying the scope of the data in the report, which activities are covered and which are not.

Tips to make your reporting more effective:

<table>
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<tr>
<th>Basic</th>
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<th>Advanced</th>
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<tbody>
<tr>
<td>Introduce the reader to your organisation by giving an overview of your size, operations and activities.</td>
<td>Contextualise your sustainability activities in relation to the remit and objectives of your organisation.</td>
<td>Explain both the direct and indirect sustainability impacts that might arise from your organisation’s role or activities.</td>
</tr>
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</table>

Of the FTSE 100 companies we reviewed

[Chart showing 71%]

Describe the company’s key business activities and how they link to sustainability.

(FTSE 250: 78%)

DS Smith explicitly explains its business operations and activities. We like how the business model is integrated with its key products, showing the importance placed on a circular economy business model.

Of the FTSE 100 companies we reviewed

71%

Describe the company’s key business activities and how they link to sustainability.

(FTSE 250: 78%)

“DS Smith explicitly explains its business operations and activities. We like how the business model is integrated with its key products, showing the importance placed on a circular economy business model.”

https://www.dssmith.com/contentassets/5880dbda8a944e0aafdbbae341218518/ds-smith-sustainability-review-2018_final-online.pdf
Glencore Sustainability Report 2018, page 3

Glencore uses visuals to impressively highlight its geographical footprint, environmental performance, and supply chain.
1.2 Purpose

Communicate a clear and succinct purpose that explains your organisation’s raison d’être beyond creating a financial return for shareholders.

This will demonstrate to the reader why your business exists and what you seek to achieve, creating a shared ambition that is core to your business and clear to all stakeholders.

Tips to make your reporting more effective:

**Basic**
Define a clear purpose which should be a succinct statement.

**Intermediate**
Ensure your purpose is well-aligned to your core business activities.

**Advanced**
Reference to your purpose should be consistent across all company communications. The purpose should form the foundation to your core business strategy.

Of the FTSE 100 companies we reviewed:

71%

Describe the company’s purpose beyond making money for shareholders.

(FTSE 250: 52%)

We like how ConvaTec puts its purpose physically at the heart of its business model.

We’re committed to creating a better tomorrow for consumers, clients, our people and our communities.

Experian enables life’s biggest moments and ambitions through the confident use of data. Our 14,500 employees in 39 countries transform data into something meaningful to help millions of people and thousands of businesses around the world make smarter, faster decisions and achieve more.

We deliver our purpose through our core business activities, our social innovation products and solutions, and our corporate responsibility (CR) programme.

In doing so, we are contributing to the UN Sustainable Development Goals by helping people access essential services in order to help end poverty and reduce financial inequality.

**OUR PURPOSE**
Create a better tomorrow

For consumers, for clients, for our people and for our communities

**OUR BRAND**
Powering opportunities

**OUR BELIEFS**

01 Data is central to how we all live. It has the potential to transform all our lives.

02 We can unlock the power of data to realise opportunities for people and organisations.

03 It is how we can help that sets us apart. We place the power of data and our expertise in the hands of our customers, creating opportunities and helping them plan for a better future with confidence.

04 We can make a difference to society and our communities by helping people make the most of their data.

05 How we work is as important as what we do; we treat everyone fairly and their data with respect; we work with integrity, always.

Experian plc’s purpose is concise and focuses on its key stakeholders, consumers, clients, people, and community.
1.3 Strategy

Describe how your sustainability strategy is integrated into your core corporate strategy and demonstrate how it permeates throughout your business.

This will prove to the reader that sustainability is not just an ‘add-on’ for your organisation but is considered in every activity. Having a short, medium and long term sustainability strategy will help you track your progress towards key sustainability goals in the future.

Tips to make your reporting more effective:

- **Basic**
  - Demonstrate how your sustainability strategy is integrated into your core business strategy and aligned with core objectives.

- **Intermediate**
  - Clearly describe your sustainability strategy over the short, medium and long-term.

- **Advanced**
  - Report on structures, systems and action plans which allow your sustainability strategy to permeate throughout your organisation. Where relevant, align your strategy to the Sustainable Development Goals.

**Of the FTSE 100 companies we reviewed:**

- 80%
  - Set out a clear sustainability strategy (FTSE 250: 78%)

Redrow aligned sustainability strategy with its purpose, targets, and key performance indicators to measure progress.
Heathrow 2.0 is our plan for sustainable growth. It sets out how we will improve life for colleagues and communities, contribute to a thriving economy, and help to tackle global challenges including climate change.

Our plan has four pillars, underpinned by 12 objectives and a range of goals and indicators. It covers our own business as well as the role we will play in driving change across the wider industry. It shows how we aim to go beyond mitigation and deliver positive impacts that enable us and those around us to thrive.

Heathrow has a clear strategy with 12 focus points underpinning it. We like how forward thinking it is and the amount of issues it covers.
How do you consider your priorities?
2.1 Materiality

Demonstrate that you have an understanding of the sustainability issues that are most relevant to you and your key stakeholders. This will prove to the reader that you are focusing on the most important sustainability issues where your efforts will have the greatest impact.

Tips to make your reporting more effective:

**Basic**
Report which issues you have identified as material and why.

**Intermediate**
Report on the process that was undertaken to determine material issues and which key stakeholders were involved.

**Advanced**
Focus your reporting on your material issues, linking them to your strategy and KPIs. Where relevant, align your material issues to the Sustainable Development Goals.

Of the FTSE 100 companies we reviewed:

88%

Identify what the company believes are its material issues
(FTSE 250: 87%)

BMO clearly explain the process which it takes to identify its key material issues. We like the use of the matrix to prioritise the significance of the issues for its operations and stakeholders.
Reckitt Benckiser’s sustainability report includes an extensive materiality section with a detailed methodology for identifying material issues and how the issues drive the company’s strategic priorities.

Our materiality assessment process

We define our material issues in line with the United Nations Sustainable Development Goals and the indicators that are most relevant to our operations. We engage with a range of stakeholders, including consumer groups and communities, peers, suppliers, experts, policymakers and investors to consider the most material issues for our business, both regarding current activities and also into the future. Utilising internal and external research, surveys, interviews and interactive webinars, our materiality assessment helps to gather a 360-degree perspective on the environmental, social and governance issues facing our Company and our stakeholders.

The process adopts both quantitative and qualitative inputs on sustainability issues and opportunities following a four-staged approach:

1. Issues identification – identifying key ethical, governance, environmental and social issues, drawing on internal and external resources and research.
2. Internal stakeholder engagement – gathering views and insights across RB’s Corporate and Business Unit divisions, functions and geographies, reflecting on the complexity and diversity of our organisation.
3. External stakeholder feedback – engaging with a board range of external opinion formers from consumers and suppliers to leading experts, NGOs and investors to better understand expectations, key drivers and future trends.
4. Analysis and validation – detailed analysis of the internal and external context that RB is operating in, supported by the development of a dynamic quantitative materiality tool, providing additional understanding of the complexities and interrelationships impacting our material issues and strategic directing.
2.2 Stakeholder engagement

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

This shows the reader that you have considered a wide range of views and therefore made informed decisions about prioritising and acting on your sustainability issues.

Tips to make your reporting more effective:

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<tr>
<td>Identify the key internal and external stakeholders to your organisation and describe how they have been engaged.</td>
<td>Describe the issues that stakeholders have identified as important and how these have been addressed.</td>
<td>Show linkage between stakeholder consultations and your materiality, strategy and risk and opportunities planning processes. Consider alternative media for communicating messages from your sustainability report.</td>
</tr>
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Of the FTSE 100 companies we reviewed:

- 94% Identify internal and external stakeholders (FTSE 250: 91%)
- 55% Outline actions taken in response to stakeholder concerns (FTSE 250: 39%)

"Boots disclose the mechanism for engagement for each stakeholder. It highlights the issues raised by each stakeholder group and the actions taken to address them."

Boots Corporate Social Responsibility 2018, page 16-17
Ongoing engagement with our stakeholders

Engaging with our stakeholders enables us to identify issues and opportunities and respond to changing needs.

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<tr>
<th>STAKEHOLDERS</th>
<th>HOW WE LISTENED</th>
<th>WHAT OUR STAKEHOLDERS CARE ABOUT</th>
<th>EXAMPLES OF ENGAGEMENT</th>
</tr>
</thead>
</table>
| Communities        | Council correspondence, letters and surveys, local news, social media.         | Our communities want us to be an active neighbour, to support the causes that matter to them and make a positive difference through acting responsibly and thoughtfully. | • £5m donated to local community groups through Morrisons Foundation  
  • Quieter Hour introduced in stores for customers with autism  
  • Community rooms established for local community group use in stores  
  • Colleague beach cleans organised near to coastal stores |
| Customers          | Customer listening groups, sales of products, customer insight survey, social media, correspondence. | We know that customers recognise that sustainability issues are important. They want us to make it easier for them to be supportive through healthier and more responsible buying habits, without additional cost. | • Helping customers to reduce their plastic by removing plastic bags for produce, offering more loose fresh fruit and veg to customers, paper carrier bag introduced  
  • V Taste veggie range launched  
  • Free fruit for kids rallied out across all stores  
  • Eat Fresh boxes launched to help customers manage food in the home |
| Colleagues         | Colleague Your Say forums, internal communications, Your Say surveys, colleague social media platforms, CR initiatives. | Our colleagues care about how we look after them, from their progression within the business to their engagement. They want to be treated equally and be rewarded by their commitment. | • Store programme for women in leadership launched  
  • My Performance online tool for every colleague  
  • Your Say forums established  
  • Over 500 Craft Apprenticeships launched |
| Government and regulators | Formal enquiries, meetings, trade associations, social media, visits. | Government policy implemented through legislation, regulation and, increasingly, sector specific voluntary agreements which forms the back drop to our operational activity. | • Working with DEFRA and WRAP to provide insight for Government’s Environmental Plan to increase loose fresh fruit and vegetables  
  • Providing written evidence to Government on progress against UN Sustainable Development Goals |
| Investors          | Enquiries, surveys, Annual General Meeting, meetings.                          | Investors scrutinise our activity on a range of environmental and social measures as well as financial performance, to ensure investment risks are limited. | • Completion of Carbon Disclosure Project for carbon  
  • Responding to investor enquiries on sustainable supply chains and science based targets |
| Non-Governmental Organisations (NGOs) | Enquiries, surveys, collaborative projects, visits, meetings, blogs, social media. | NGOs care about the impact we have on the environment and society. They ask us to make changes to the way we operate to help address a particular topical issue. | • Responding to Greenpeace’s survey on plastics activity  
  • Working with environmental communications charity, HubHub, on their initiative to increase recycling in the city of Leeds  
  • Working with food redistribution charity, FareShare, to increase surplus redistribution in our manufacturing sites |
| Suppliers          | GS Copp, conferences, meetings, visits, audits and surveys.                   | We trade with companies all around the world and our challenge is to ensure that their operation is aligned with our values, policy and responsible business practices. Through our terms of trade, monitoring processes, technology, supply chain management, certification and auditing we work hard to ensure compliance. | • Searching for the best local suppliers as part of Local Foodmakers initiative  
  • Supporting Farm24 event to promote British farming  
  • Working with 250+ farmers to reduce on-farm waste through Naturally Wonky range |
| Industry           | British Retail Consortium (BRC) working groups, IGD working groups, industry conferences, collaborative projects. | We know the positive impact working collaboratively as an industry can have to help tackle the issues that affect our society and environment. In some cases, joining forces is the only way to create meaningful change. | • Working with industry to reform the way we use plastics through UK Plastics Pact  
  • IGD Food Waste Task and finishing Group to establish a food waste reduction road map for the food industry  
  • Working with industry to improve sustainability of soy supply chains |
2.3 Risks and opportunities

Explain the key strategic risks and opportunities for your organisation that arise from sustainability issues.

This gives the reader confidence that you have considered the impacts that external sustainability factors might have on the success of your business and that you are acting on these.

Tips to make your reporting more effective:

- **Basic**
  - List out the risks and opportunities relating to sustainability that the organisation is managing.

- **Intermediate**
  - Describe the action plan in place to address these risks and opportunities.

- **Advanced**
  - Disclose the relevance and financial implications of these risks and opportunities. As per the TCFD recommendations, identify the risks and opportunities faced by your business as a result of climate change.

Of the FTSE 100 companies we reviewed:

- 92% Explicitly identify sustainability risks
  - (FTSE 250: 83%)
- 33% Explicitly identify sustainability opportunities
  - (FTSE 250: 39%)

Thames Water discloses the key drivers and mitigation efforts, alongside potential impacts which climate change may have on the business. We like how it has also acknowledged potential opportunities that may arise.
Berkeley Group discloses a detailed description of its sustainability-related risks. It highlights the approach to mitigate key issues, as well as rating the significance of the risk to core business.

Hammerson assesses its risks by identifying the most impactful and likely sustainability factor using a matrix and risk heat map.
How do you monitor and manage performance?
3.1 KPIs and targets

Identify KPIs that are directly relevant to your sustainability strategy and set challenging but realistic targets that you can assess your performance against.

Clear presentation of progress towards targets will demonstrate to the reader that you are holding yourself accountable to the goals you have set for your organisation.

Tips to make your reporting more effective:

**Basic**
- Disclose sustainability KPIs most relevant to your business, including historic performance data to show trends over time.

**Intermediate**
- Set specific and quantifiable short – and medium-term targets for these KPIs.

**Advanced**
- Disclose financial implications behind KPIs. Where relevant, align your sustainability KPIs and targets to the Sustainable Development Goals.

Of the FTSE 100 companies we reviewed:

- 96% Disclose a range of sustainability KPIs (FTSE 250: 87%)
- 76% Disclose targets for each KPI (FTSE 250: 52%)

We like Rio Tinto’s use of interactive charts that allow users to customise the chart for different thematic areas.
BT has disclosed quantitative KPIs since 1992. It clearly shows the significant improvement that it has made towards its ‘journey to net zero emissions’. BT aligns its KPIs with short and long-term targets.

We’re aiming to be a net zero carbon emissions business. That’s no mean feat. But we’ve already made big strides. To do this, we’re targeting 100% renewable electricity by 2020. We’re investigating how to decarbonise our buildings. And we’re looking at how we can convert our fleet to ultra-low emission vehicles.

**Our journey to net zero emissions**

<table>
<thead>
<tr>
<th>Year</th>
<th>0% renewable electricity</th>
<th>40% renewable electricity</th>
<th>95% renewable electricity</th>
<th>Emissions increase following EE acquisition</th>
<th>80% renewable electricity</th>
<th>87% renewable electricity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1996</td>
<td>0.1</td>
<td>0.1</td>
<td></td>
<td></td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>2004</td>
<td>40.1</td>
<td>40.1</td>
<td></td>
<td></td>
<td>40.1</td>
<td>40.1</td>
</tr>
<tr>
<td>2008</td>
<td>781</td>
<td>781</td>
<td></td>
<td></td>
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<tr>
<td>2012</td>
<td>825</td>
<td>825</td>
<td></td>
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<tr>
<td>2013</td>
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<td>381</td>
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<tr>
<td>2016</td>
<td>224</td>
<td>224</td>
<td></td>
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<tr>
<td>2017</td>
<td>404</td>
<td>404</td>
<td></td>
<td></td>
<td>404</td>
<td>404</td>
</tr>
<tr>
<td>2018</td>
<td>377</td>
<td>377</td>
<td></td>
<td></td>
<td>377</td>
<td>377</td>
</tr>
<tr>
<td>2019</td>
<td>298</td>
<td>298</td>
<td></td>
<td></td>
<td>298</td>
<td>298</td>
</tr>
<tr>
<td>2030</td>
<td>87% reduction required from 2016/17 baseline² Further 13% reduction required to become ‘net zero’</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2045</td>
<td>87% reduction required from 2016/17 baseline² Further 13% reduction required to become ‘net zero’</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Greenhouse gas emissions scopes 1 & 2
2. Science Based Target Initiative – intensity target – measured as scope 1-3 emissions tonnes per £1m gross value added (GVA). From 2017 baseline of 11 tonnes per £1m GVA.
3.2 Impacts

Provide a clear explanation and quantification of the social, environmental and economic impacts of your business.

This demonstrates to the reader that you have a thorough understanding of your wider impacts on society and the environment. This understanding will allow you to make more informed decisions towards being a more sustainable business.

Tips to make your reporting more effective:

<table>
<thead>
<tr>
<th>Basic</th>
<th>Intermediate</th>
<th>Advanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specifically discuss qualitatively which areas of the environment and society you impact through your operations and supply chains.</td>
<td>Disclose quantitative indicators of the relative size of your impact on society and the environment.</td>
<td>In monetary terms, disclose your impact on society and the environment.</td>
</tr>
</tbody>
</table>

Of the FTSE 100 companies we reviewed:

31%

Specifically disclose the environmental and/or social impacts of the business

(FTSE 250: 22%)

WPP monetises the environmental, economic, and social impacts of its business operations. It explicitly identifies the direct and indirect impacts showing the importance placed on maximising 'the positive value for shareholders'.
Northumbrian Water measured the social value created by its initiatives. We like how they conducted extensive research on the potential long term impacts of its operation, alongside developing impact pathways to demonstrate this.
3.3 Governance

Provide a clear explanation of the company’s sustainability governance structure and explain how directors and staff are incentivised to deliver on the sustainability strategy. This gives the reader confidence that the necessary framework and resources are in place for the strategy to be delivered. Having senior staff members listed in the governance framework further demonstrates your commitment to the strategy.

Tips to make your reporting more effective:

**Basic**
- Identify the board member responsible for sustainability issues and outline your sustainability governance structure.

**Intermediate**
- Showcase how sustainability governance permeates through your business, e.g. through department heads with sustainability responsibilities.

**Advanced**
- Report on how staff are incentivised to deliver on the sustainability strategy throughout the company, and include financial and non-financial incentives (e.g. remuneration, employee awards).

Of the FTSE 100 companies we reviewed:

- **93%**

Describe the sustainability governance structure (FTSE 250: 83%)

Barclays provides a detailed description of its board governance framework. We like how they disclose the impact sustainability-related performance has on Directors remuneration.

Our ability to meet our responsibilities to our key stakeholder groups is underpinned by a strong commitment to the way we do business – ensuring that we run our business responsibly and manage our broader social and environmental impacts appropriately.
The Anglo American sustainability report provides a detailed assessment of the governance and management approach within the business. We like how the report discloses key discussion topics for the sustainability committee.
How do you consider the broader viability of the business?
4.1 Value chain

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

This demonstrates you understand the wider influence you have on sustainability issues in society. By thinking holistically you may identify areas that create a greater positive impact than you can by changing your core operations.

Tips to make your reporting more effective:

<table>
<thead>
<tr>
<th>Basic</th>
<th>Intermediate</th>
<th>Advanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consider the positive and/or negative impacts of your supply chain and/or your products and services in your sustainability reporting.</td>
<td>Report quantitative data on material impacts from across your value chain, both positive and negative and strategies in place to address these.</td>
<td>Set specific targets for material value chain impacts and report on progress towards them.</td>
</tr>
</tbody>
</table>

Of the FTSE 100 companies we reviewed:

53%

Include upstream and downstream impacts in materiality assessments and/or target setting (FTSE 250: 83%)

John Lewis Partnerships emphasises the importance of moving towards a circular economy. They demonstrate how their business is helping to reduce waste.
Mondi discloses an integrated value chain showing the value created from converting raw materials into sustainable packaging. We like how it linked the value chain to relevant KPI's.
4.2 Future proofing

Disclose that you have considered the future resource constraints that might affect your business e.g. non-financial capitals including natural capital and human capital. This shows the reader that you are monitoring and minimising any resource risks in order to prevent disruption to your organisation in the future.

Tips to make your reporting more effective:

**Basic**
- Disclose significant use of non-financials capitals, e.g. water, land, timber.

**Intermediate**
- Explain whether you expect that the availability of any non-financial capitals might be restricted in the future.

**Advanced**
- Describe your strategy for managing your risks. Consider the resilience of your business to climate change by undertaking scenario analysis, as per the TCFD recommendations.

**Of the FTSE 100 companies we reviewed:**

Anglian Water Services demonstrate how it is addressing potential problems that will heighten in the future, including climate change. We like how it has considered opportunities that may arise if correctly addressed.

Anglian Water Services Integrated Report 2019, page 22-23

Anglian Water Services

HOW WE’RE ADDRESSING OPPORTUNITIES AND CHALLENGES

We have identified the main factors that affect our business now and will affect it in the future.

ISSUES COMMON TO THE WHOLE WATER INDUSTRY

REACHING BEYOND REGULATORY CONFORMITY AND PERFORMANCE TARGETS

We are operating in an environment where complex social, political and environmental challenges are increasing. Our customers and stakeholders rightly expect us to deliver an excellent service while also playing a key role in tackling these wider social and environmental challenges of climate change, growth and resilience.

Company performance reaches for beyond regulatory compliance and meeting targets. We are proud to be a purpose-led business rooted in long-term sustainable ambitions, continually examining our impact on the communities we serve. This purpose is embedded in everything we do. Anglian Water continues to demonstrate how a responsible and sustainable approach to business can have a direct and immediate impact on our performance.

We have been at the heart of leading this approach across the industry and this year were instrumental in the creation of the water industry’s public interest

Commitment, setting new standards for a social contract with customers and stakeholders. It’s a statement that commits the entire industry to continuing to deliver wider benefits to society, along with the provision of clean, safe and reliable water.

PLANNING FOR THE LONG TERM

The nature of the water industry requires us to take the long view - planning years, and even decades, ahead on issues including water resources, the maintenance of assets, advances in technology and closing the skills gap.

We look to tackle these long-term issues in collaboration with others. That includes delivering our capital programmes through long-term alliances with our contractors and suppliers, and joint research and planning on issues like drought resilience. Where possible, we look to lead and shape the regional and national conversation to secure the action and investment needed for a sustainable future.

AFFORDABILITY AND CUSTOMER EXPECTATIONS

Customer expectations have been transformed in recent years, a change accelerated by social media. Customers compare our service with that of the top UK brands and they expect to be spoilt for choice. They also expect us to cope with the challenges listed here while ensuring that bills remain affordable and the costs of increasing our resilience are shared fairly between current and future customers.

We will need to invest in both new supplies and innovative approaches to demand management.

Reproduced from: Anglian Water Services Integrated Report 2019
SSE Sustainability Report 2019, page 10

IDENTIFYING MATERIAL ISSUES

The combined challenge of maintaining a secure and affordable supply of energy, while mitigating the impact of producing it – also known as the ‘energy trilemma’ – remains the most material challenge to SSE’s business and the energy industry as a whole.

SSE has mechanisms that allow it to identify further impacts it may have on society, the economy or the environment. Through monitoring trends in the external environment and engaging with its key stakeholders, SSE is able to identify material issues to its business and those with an interest in SSE and the wider industry.

EMERGING TRENDS (PAGE 11)

SSE tracks and develops trends in the external environment which may influence the way it seeks to meet its business objectives. These trends are not restricted to the energy sector alone; they extend to wider societal issues too. Tracking these trends can highlight challenges and opportunities for the business, its stakeholders and society as a whole, and allows SSE to prepare or respond accordingly.

WORKING WITH SSE’S STAKEHOLDERS (PAGES 12 TO 13)

Engaging constructively with its key internal and external stakeholders is crucial to SSE’s strategic ambitions. Engaging with all of its stakeholders is vital to the business’ continued success.

MATERIAL RISKS (PAGE 14)

SSE’s Risk Management Framework and System of Internal Control allow it to manage and respond to 10 Group Principal Risks Identified for SSE, which outline the core uncertainties facing the company. SSE is committed to identifying risks throughout all of its Pendragon RISks, with specific sustainability-related issues. In particular, the impact of climate change, being highlighted as influencing factors.

GLOBAL FRAMEWORKS AND DISCLOSURE (PAGE 15)

SSE is conscious that it does not operate in isolation and considers the role its business plays in a national and international context. Global frameworks provide a robust basis from which the company can address the issues of climate change and other material sustainability-related issues that face the business. They guide SSE to consider issues material to its business in a much wider societal and global arena, allowing it to focus its activities to ensure it plays a part in addressing global challenges, thereby enhancing the sustainability of its business and its capacity to create value over the long term.

The most important of these frameworks is the UN’s SDGs which are designed to address some of the biggest challenges facing humanity. SSE has signed its 2030 Goals directly to them.

SSE Sustainability Report 2019, page 10

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The most important of these frameworks is the UN’s SDGs which are designed to address some of the biggest challenges facing humanity. SSE has signed its 2030 Goals directly to them.

SSE identify material issues that are emerging in the industry. It identifies the importance of the trends for its business and how it may impact the value which it creates.
How do you report with clarity and transparency?
5.1 Balanced reporting

Present information in a balanced and transparent fashion and explain where and how improvements will be made.

Acknowledgement of not only your successes but also your negative sustainability impacts gives the reader confidence that you are a self-aware organisation. One that is honest and transparent about progress towards sustainability goals. Describing the actions you will take to address poor performance and maximise good performance demonstrates that your organisation is committed to achieving the sustainability targets that have been set.

Tips to make your reporting more effective:

**Basic**
- Report progress against all targets, whether performance has been good or bad.

**Intermediate**
- Explain poor performance and how you will address it going forward.

**Advanced**
- If you reach targets ahead of schedule, set more challenging targets going forward.

*Of the FTSE 100 companies we reviewed:* 80%

Give adequate attention to reporting negative and positive performance (FTSE 250: 83%)

Tesco has demonstrated well-balanced reporting by identifying targets which it has met as well as those where they are underperforming.
M&S clearly state where they are on track to meet their targets (On plan) and where they are falling short (Behind plan). They also explain actions for the next year to try to meet the target.

**PLANET**

07. Recyclable packaging**

| 08 | Clothing re-use & recycling | 08 | Sustainable design toolkit |
| 08 | C&H recycled materials | 08 | Food waste (household) |
| 08 | C&H repair services | 08 | Zero landfill** |

| 08 | C&H circular economy stds |

09. Science Based Target Emissions**

| 09 | Carbon neutral operations** | 10 | Renewable peak demand |
| 10 | UK/ROI energy efficiency** | 10 | C&H fuel efficiency** |
| 10 | Int. energy efficiency** | 10 | Food fuel efficiency** |
| 10 | Renewable electricity** | 11 | Store refrigeration (GHG)** |
| 10 | Biomethane** | 11 | Store refrigeration (HFCs)** |
| 11 | Store climate adaptation |

11. Science Based Target Footprint

| 11 | Zero deforestation** | 11 | Sustainable animal protein |

12. Product Plan A Attributes**

12. Responsibly Sourced Materials**

13. Sustainable Cotton**

13. Sustainable Food Factories**

13. Sustainable C&H Processing**

- 13 | M&S Farming for Future** |
- 13 | Sustainable property sups |
- 13 | Sustainable C&H factories |

**BEHIND PLAN**

**SCIENCE BASED TARGET FOOTPRINT**

By 2030, in line with climate science, we'll reduce our indirect greenhouse gas emissions from upstream and downstream sources by at least 13.3 million tonnes.

**Our 2019 progress**

Our target of 13.3 million tonnes CO₂e by 2030 has been approved by the Science Based Target Initiative and is based on reductions made by M&S to the indirect emissions from our supply chains and when customers use our products. These are known as Scope 3 emissions and were estimated at 6.4 million tonnes for 2016/17. Because Scope 3 emissions are indirect and we're relying on data from a range of external sources, we're reporting annual reductions in arrears against a 2016/17 baseline.

For 2017/18, our actions reduced these Scope 3 emissions by around 65,000 tonnes CO₂e. This was mainly achieved by sourcing sustainable cotton and improving energy efficiency and sourcing at our Food suppliers. This scale of reduction will need to be significantly improved to reach the required one million tonnes a year target and so at present is considered as being Behind plan.
Enhance the credibility of your reported content by referencing, for example, independent studies, external benchmarking, expert assess panels or external third party assurance. This gives the reader confidence in the data and confidence in the integrity of your sustainability reporting. It also gives management confidence in the company’s performance over the period.

Tips to make your report more effective:

**Basic**
Reference independent data, e.g. external benchmarking, to ensure the credibility of your reporting.

**Intermediate**
Obtain internal or external assurance over the sustainability data in your report.

**Advanced**
Include the assurance opinion, which should clearly state the scope of the work, the assurance standard followed and the work completed, in the report.

The scope of Centrica’s assurance includes metrics covering customers, carbon and employees, as well as those metrics relevant to management’s long term incentive plans.

| FTSE 100 companies reviewed | 90% |

The scope of Centrica’s assurance includes metrics covering customers, carbon and employees, as well as those metrics relevant to management’s long term incentive plans.

**Of the FTSE 100 companies we reviewed:**

- Of the FTSE 100 companies we reviewed:
  - 90% have external assurance on some sustainability metrics (FTSE 250: 83%)
  - 40% have external assurance on some sustainability metrics (FTSE 250: 83%)

---

**5.2 Assurance**

Enhance the credibility of your reported content by referencing, for example, independent studies, external benchmarking, expert assess panels or external third party assurance. This gives the reader confidence in the data and confidence in the integrity of your sustainability reporting. It also gives management confidence in the company’s performance over the period.

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**PwC**

Independent Limited Assurance Report to the Directors of Unilever plc

The Board of Directors of Unilever plc ("Unilever") engaged us to provide limited assurance on the information described below and set out in Unilever’s Basis of Preparation 2018 for the 2018 reporting year.

Our conclusion
Based on the procedures we have performed and the evidence obtained, nothing has come to our attention that causes us to believe that the matter for Unilever’s 2018 reporting year: (i) The Selected Information has not been prepared; and (ii) The Selected Statements are not fairly stated, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of what we say in the remainder of our report.

Selected Information and Selected Statements
The scope of our work was limited to assurance over the information shown in Appendices 1 and 2 (the "Selected Information" and "Selected Statements"). Our assurance does not extend to information in respect of earlier periods, unless otherwise indicated in Appendices 1 and 2.

Professional standards applied and level of assurance
We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3400 (Revised) Assurance Engagements other than Audits and Reviews of Financial Information, and, to the extent of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3450 Assurance Engagements on greenhouse gas statements, issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the assurance approach and the procedures performed in response to the assessed risks. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our Independence and Quality Control
We applied the IIA’s Code of Ethics, which includes independence and other requirements focused on fundamental principles of integrity, objectivity, professional competence and due care, coupled with professional behaviour.

We independently applied the International Standard on Quality Control (UK) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding independence 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 assurance and reporting.

Understanding reporting and measurement methodologies
The Selected Information and Selected Statements relied on to draw and understand together with the Reporting Criteria ("Unilever’s Basis of Preparation 2018", available on Unilever’s website) which Unilever is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information and Selected Statements are for the audit reporting year.

Unilever’s assurance statement includes a detailed description of all the selected information subject to assurance and their performance in the period. The reporting criteria is referenced clearly too.
5.3 Modern Slavery

Disclose your slavery and human trafficking statement in accordance with the Modern Slavery Act 2015.

In line with the UK Modern Slavery Act 2015, all companies with i) a global turnover of over £36 million and ii) operations in the UK, are required to comply by publishing a modern slavery statement annually. The statement demonstrates that you understand the potential risks associated with modern slavery.

Tips to make your report more effective:

**Basic**
- Publish a signed statement on your website by a director (or equivalent), disclosing that your company is in accordance with the Modern Slavery Act.

**Intermediate**
- Disclose a statement that includes information against the overview of the business, related policies, and risk assessments of modern slavery risks.

**Advanced**
- Ensure your Modern Slavery Statement includes information against each area that the government guidance ‘Transparency in Supply Chains’ recommends.

Of the FTSE 100 companies we reviewed:

96% Discloses a slavery and human trafficking statement in accordance with the Modern Slavery Act 2015. (FTSE 250: 100%)

J Sainsbury plc conducts a risk assessment to understand which suppliers are subjected to the highest modern slavery risk. We like the use of a world map to hotspot the key risks in its supply chain.

Kingfisher identify the supplier origin of its products, allowing the company to focus greater attention on the higher risks areas.
Spotlight

TCFD reporting
6.1 Current state of disclosure

The Task Force on Climate-related Financial Disclosures (TCFD) recommendations present a framework for companies to identify and manage their climate related risks. This is vital for investors, lenders and insurers to analyse and price climate risks and opportunities. The recommendations are driven by 4 key pillars: Governance, Strategy, Risk Management, and Metrics and Targets. They are underpinned by 11 disclosure recommendations.


**FSB TCFD status report 2019**

The TCFD status report released in June 2019 reviewed the reports of over 1,000 companies between 2016-2018 from across the globe. It concluded that the quality and quantity of disclosures related to climate-related financial information has increased since 2016 but not at a quick enough pace. Other key conclusions include:

- Progress was best among businesses who have previously engaged around climate change;
- Companies are not revealing the potential financial impact of climate risks on their business;
- Companies who are undertaking scenario analysis are not reporting on the resilience of their strategies to the climate risks identified (recommendation with the lowest number of disclosures); and
- The involvement of more functions, outside of sustainability functions, is required to fully implement the TCFD recommendations.
6.2 Emerging best practice

Shell Annual Report 2018 page 72

We like Shell’s use of a simple governance structure diagram to explain who in the organisation is responsible for managing climate risks. It is also good to see climate considerations across multiple committees.

Legal and General Investment Management TCFD report 2018 page 22

Risk management – Legal and General present a multi-layered approach to identifying climate risks to its assets and associated engagement strategies.
6.2 Emerging best practice

Strategy – Aviva go in to detail about the methodology behind its scenario analysis and the scenarios they have used to analyse the possible climate impacts to the business. It has also not been shy to disclose the negative impacts which it faces.
Metrics and targets – We like how clearly the London Stock Exchange lays out its carbon KPI’s and performance.

The future of TCFD reporting

As evidenced by the status report, there is still a way to go with TCFD reporting and even companies who are highlighted as demonstrating best practice could, in most cases, be further improved. As disclosures develop in coming years, the following key themes are likely to arise:

- Currently scenario analysis is discussed qualitatively, moving forward, companies need to begin disclosing the quantitative results.
- Taking this one stage further, companies should eventually calculate and disclose the financial implications of the climate risks which have been identified as potentially impacting their business strategies.
- Responsibility for climate change can be taken by a specific climate or sustainability committee or can be encompassed within other committees such as risk and or remuneration. Successful climate governance can take many forms, so long as climate issues are discussed widely and these actually inform decision making at the most senior level.
- Regulation will strengthen and policies, like that of the PRA on banks and insurers management of climate risk, are likely to follow in other sectors and parts of the world.

Of the companies reviewed:

- 33% Are a TCFD signatory
  - Of which, FTSE 100 (50%)

- 43% Are a beginning to report against the TCFD recommendations
  - Of which, FTSE 100 (61%)

- 22% Are undertaking scenario analysis
  - Of which, FTSE 100 (68%)
Spotlight

SDG reporting
7.1 Reporting on the SDGs

Growing importance of SDGs
With the growing risks of climate change, alongside the increasing demand for resources, the UN SDGs should be at the heart of all executive agendas. 193 governments have agreed to these 17 Global Goals underpinned by 169 targets, to transform the world by a 2030 deadline. If we are going to achieve this, businesses must play their role in contributing towards the targets.

Why should companies be reporting on SDGs?
• The SDGs provide a common language for stakeholders, including investors, regulators, as well as governmental organisations. Understanding the material ESG issues will improve our ability to focus and effectively coordinate.
• The SDGs can unlock opportunities for organisations. It is estimated that $12 trillion\(^1\) in potential business opportunities, as well as millions of job created or retained, are linked to the Goals.
• SDG reporting supports good management of the SDGs that allows management to effectively integrate the goals into its business strategy and operations.
• By disclosing the contribution made towards the SDG goals, organisations and governments can assess the annual progress that has been made towards the 2030 targets.

7.2 Journey of SDG Reporting

Best practice reporting

**Aligning contribution**
- Identify specific indicators you can use to measure your contribution towards the goals.
- Regularly, collect quantitative data for each indicator and disclose the impact your business is having towards the goals.

**Understanding material issues**
- Review the SDGs at a target level and evaluate how they relate to your business.
- Prioritise the material issues to your business, identified by key stakeholders.

**Prioritising SDGs**
- Link the prioritised material issues to the relevant SDGs at a target level.
- Identify SDG targets that your company can make the largest contribution towards.

**Integrating SDGs with business strategy**
- Align the company strategy, (including objectives, material issues, company targets) with specific SDG targets that reflect its impact.

**How to integrate the SDG goals in your organisation**

1. **Aligning contribution**
2. **Understanding material issues**
3. **Prioritising SDGs**
4. **Integrating SDGs with business strategy**

An Analysis of the Goals and Targets
The Analysis of the Goals and Targets is the first target-level tool for business to comprehensively understand their possible contribution and impacts on each SDG target. It contains a list of established business disclosures, including qualitative and quantitative indicators from existing reporting frameworks to help identify the most material SDG issues to one’s business and improve corporate reporting by using the available indicators under the relevant targets.

Integrating the SDGs into Corporate Reporting: A Practical Guide
UNGC and GRI (with technical support from PwC) have published a practical guide to support corporate reporting on the SDGs. This guide is an important contribution to helping business embed the SDGs in their existing reporting processes in alignment with the Ten Principles of the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the GRI Standards. It completes a toolkit developed by the Action Platform to promote and facilitate effective corporate reporting on the SDGs.

7.3 Best practice

Tui Sustainability Report 2018, page 10

Tui demonstrates the importance SDGs play in developing its business strategy by aligning the prioritised SDGs to the relevant strategic theme.

SSE Sustainability Report 2019, page 17

SSE prioritise SDGs at a target level. We like how they aligned KPIs to SDGs at a target level, as well as explaining the importance they are to SSE.

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54 | Purpose and impact in sustainability reporting | PwC

https://www.tuiigroup.com

CRH integrated the SDGs throughout the sustainability report, including the CEO message, materiality assessment, and targets. We like how they showed the contribution they have made towards the SDGs.
Spotlight

International reporting
8.1 Trends

The Building Public Trust Sustainability reporting award only examines UK companies as well as certain inbound, (i.e. those which have a large UK presence). It is therefore interesting to look at international sustainability reporting best practice and compare it to that of the UK.

Some key observations of international reports:

- There is a greater uptake of integrated reporting;
- Many reports demonstrated a strong case for climate action and have a good consideration of climate risks and opportunities;
- Many reports acknowledged their negative impacts as well as positive; and
- There is a strong sense of innovation, both in reporting methods and through sustainability practices.

The Commonwealth Bank of Australia uses a diagram to communicate the scenario analysis which it has undertaken. You can clearly see both the impacts on and strategic responses from its insurance, retail lending, wealth and business lending businesses. The scenario analysis and climate risk sections of the report are strong TCFD reporting examples.
Aegon uses metrics including carbon intensity and risk to evaluate the climate related risk to their investments.

Eni’s TCFD governance section clearly sets out how the board addresses climate risk and how they are supported by the CSS committee. The CEO is also engaged through an incentive plan related to carbon intensity.
thl’s report starts with a strong rationale for transforming its strategy to become future-fit. Its strategy is based on 6 capitals: financial, manufactured, intellectual, human, social and natural. This diagram clearly demonstrates the business’ interaction with society and the environment and thl’s key goals.
Tony's Chocolonely has valued the social and environmental impacts of its chocolate bars in comparison to an average bar. A strong improvement in these impacts has been demonstrated between 2013 and 2017.

CHR Hansen calculates the proportion of its revenue which contributes to the Sustainable Development Goals on an annual basis.

Danone has developed an innovative new app to educate its employees on its strategy and key sustainability challenges the company faces.
For more information contact...

www.pwc.co.uk/sustainabilityreportingtips

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...and refer to our other sustainability reporting research, available online

SDG Reporting Challenge 2018: Empty promises? Does business really care about the SDGs?
https://www.pwc.com/sdgreportingchallenge

GHG Market Sentiment Survey 2019

The Low Carbon Economy Index 2019: Emissions Relapse
https://www.pwc.co.uk/services/sustainability-climate-change/insights/low-carbon-economy-index.html