Reporting with purpose and impact

Celebrating openness in your sustainability reporting

Building Public Trust
November 2018
This year’s Building Public Trust Awards mark the 10th year that we have been reviewing sustainability reporting across the FTSE 350 and, more recently, public interest entities (PIEs). In the last decade, sustainability issues such as climate change, modern slavery and ocean pollution have entered the public consciousness like never before. Society has increasing expectations of the role businesses should play in tackling some of the planet’s biggest challenges. Organisations are expected to not only minimise their negative impacts, but to contribute positively to both society and the environment. Companies have the power to be a force for good, and many are articulating this as part of a clear corporate purpose that is central to their business.

In recognition of this shift, we are proud to announce that our award now celebrates openness in ‘Purpose and Impact reporting in the FTSE 350 and PIEs’. I believe that an open, thorough and proactive approach to purpose and impact is a key way for businesses to mitigate risk in today’s volatile and unpredictable environment.

In choosing the winner we reviewed reporting of over 200 companies and organisations. Our in-depth approach and our long history of these reviews gives us insight into what a great sustainability report looks like, and how the sustainability reporting landscape continues to develop. Here are a few of our findings from this year’s review:

**Purposeful business**

Many companies are being clearer about their corporate purpose, and using this to demonstrate the value they bring to wider society and their impact on the environment. It was great to see that of the companies we reviewed who disclosed their purpose, 92% aligned their purpose to their core business. See pages 2-5 for further insights on ‘Purpose and Impact’.

**Growing emphasis on stakeholders**

Companies are now under more scrutiny than ever to demonstrate how they take the interests of wider stakeholder groups into account. Section 172 of the Companies Act 2006 continues to drive an increasing emphasis on stakeholders in reporting (see PwC’s FTSE 350 corporate reporting trends for more information). Of the FTSE 100, nine out of ten identify internal and external stakeholders with 74% highlighting how they respond directly to stakeholder concerns. Most companies are also engaging with their stakeholders to identify material issues.
Disclosing wider impacts
The EU Non-Financial Reporting Directive requires companies to report on the social and environmental impacts of their activities. We are beginning to see more reporting on impact, particularly in the FTSE 100, however there is still a lot of work to be done. Interestingly, the FTSE 100 are much better at identifying their social impacts (70%) than their environmental impacts (50%). Furthermore the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) encourage companies to report on how a changing environment will impact their business and its performance. Many companies have started to report on this and we expect to see more extensive reporting (particularly in respect of future scenario analysis) in the next few years.

Top scoring industries
Companies from the retail and consumer sector still dominate our top ten in the FTSE 100 (40%), and are the best represented industry across our higher scorers. However, performance as a whole across the FTSE 350 and PIEs is highest for companies in the industrial products and mining industries.

Better alignment to the SDGs
We have seen even more companies embedding the UN Sustainable Development Goals (SDGs) into their reporting, especially in relation to their strategies and targets. This year, 64% of the companies we reviewed and 81% in the FTSE 100 explicitly mention the SDGs compared to 54% last year. The Goal most consistently prioritised is “8. Decent Work and Economic Growth”, but it is great to see “3. Good Health and Wellbeing”, “12. Responsible Consumption and Production” and “13. Climate Action” not far behind. Companies should ensure they think about what civil society and government see as important in this space and align activities accordingly.

I hope this document will be useful in helping you to communicate your purpose and wider impacts in your sustainability reporting.
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 and PIEs. This year’s award has focused on how companies communicate their purpose and their wider societal and environmental impact. 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 group.

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?

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.
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Focus on purpose

What do we mean by purpose?
A company’s purpose is usually a stated objective that defines that company’s ‘reason for existing’. While companies are often duty-bound to provide a financial return to their shareholders, a purpose should look beyond profit and articulate the additional value that the company creates for society. A purpose is usually intended to provide a guiding philosophy for a company’s stakeholders (particularly staff) to keep at the forefront of their mind as they go about their daily business.

For example, PwC’s purpose is “to build trust in society and solve important problems”. This statement places the work we do (professional services) in the wider context of the society around us, and reminds us of its deeper importance.

Making the case for purpose-driven business
Time and again, evidence suggests that – perhaps paradoxically – companies with a purpose beyond shareholder return tend to make more money.

This isn’t something new, in fact research conducted over leading companies in the 20th century found that those guided by a purpose beyond making money, returned six times more to shareholders than explicitly profit-driven rivals.

Purpose-driven companies reap advantages in:
• Staff motivation and retention
• Staff recruitment
• Customer loyalty
• Clarity of strategic focus

What does good purpose reporting look like?
An effective purpose statement should:
• Be short (it shouldn’t take more than one sentence)
• Go beyond the profit motive (while profit is important, it is rarely inspiring)
• Explain how the core business activities contribute to society (rather than being vague, or focusing on philanthropic/CSR activities)
• Be adopted and recognised throughout the business (not just a phrase seen in reporting and nowhere else)

If a purpose is truly part of how a company does business, we would expect to see it featured front and centre in the Annual Report.

Our analysis of company reporting across leading companies in the FTSE350 and private business shows a wide gulf between those companies which disclose a purpose and those which do not.

While only around half of the companies reviewed disclose a clear purpose statement in their reporting, the majority of those who do so have a well thought-through statement which is well aligned to their core business, and is featured in the Annual Report.

It’s encouraging to see that while not all companies have explained their purpose, for those that have, generally they have done a good job of it.

Section 1.2 shows examples of good practice purpose reporting.
Why purpose matters

There’s a growing body of evidence that companies with a well-defined purpose, which balances the generation of profit with wider societal benefit, have higher productivity and perform better. Of course, profit generation can be of benefit to society, for example by creating a tax base for government, providing income streams to pay pensions and funding investment and further employment. But in a modern functioning economy it’s not enough – businesses need to do more, by being a force for good.

Whether it’s a food manufacturer seeking to make healthy meals affordable or a pharmaceutical company aiming to eradicate illness, a clear purpose can inspire. It also has the potential to improve the public’s faith in business.

Kevin Ellis, Chairman and Senior Partner, PwC UK

The 2018 UK Corporate Governance Code says that:

“The board should establish the company’s purpose, values and strategy, and satisfy itself that these and its culture are aligned.”

For more insights on purpose and FTSE 350 corporate reporting trends, see PwC’s report – ‘Greater expectations – The age of the stakeholder has arrived’.

Larry Fink, CEO, BlackRock

“Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders.”

https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter

Of the company reports we reviewed...

No clear purpose statement

47%

Purpose is well aligned to the core business

45%

Purpose is poorly aligned to the core business

8%
What do we mean by impact?

Non-financial data and key performance indicators (KPIs) have always been a major part of sustainability reporting. Performance metrics, such as tonnes of CO2 emissions, are a key way of communicating what a company has done over the past year, and how well it is meeting its objectives and targets.

Impact reporting goes beyond these common metrics to examine the impact on society and the environment of a company’s performance (see diagram below). For example, tonnes of CO2 emissions do not directly explain the impact of climate change on global communities and ecosystems. To convert this to an impact measure, companies should consider the cost to the environment, human health and society of each additional tonne of CO2. Some argue that in order to compare the full spectrum of impacts against one another, and against financial metrics, impact measures should be converted into monetary numbers.

The business case for measuring and reporting impact

We live in a world of significant change and upheaval. We have a growing population, seeking a better lifestyle, to be delivered from a planet with finite resources, many of which are now rapidly running out. These changes are already affecting corporate decision making and reporting, but without comprehensively quantifying and monetising social and environmental impacts, they cannot be included in traditional accounting and return on investment decisions. More than 93% of CEOs we surveyed said that measuring both their financial and non-financial performance would enable them to better identify and manage their risks. Reporting impacts helps companies demonstrate to stakeholders that they have a strategic, data-led approach to impact management.

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**Traditional reporting**

**Input**
What resources have been used for business activities?

**Output**
What activities have been done?

**Outcome**
What has changed as a result of the business activities?

**Value**
What is the value of impact?

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**Impact measurement**

**Impact**
Impact can be defined as:
- Wider economic and social outcomes
- The outcome when taking into account the counterfactual

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4 Reporting with purpose and impact
What does good impact reporting look like?

Our analysis of reporting in the FTSE 350 showed that there is significant room for improvement in impact reporting:

- Two thirds of companies are reporting on impact in some way, but only 34% provide any data.
- Only 27% of companies are showing a balanced view by explaining both their positive and negative impacts.
- 22% of companies clearly show the links between their impacts and their purpose in their reporting.

Impact reporting tends to be a long-term journey, rather than an approach that can be immediately implemented. As a starting point, it’s helpful to discuss the different types of impacts the business has on society and the environment in a qualitative way. Subsequent steps to improve this reporting could include:

- Considering upstream (supply chain) and downstream (customer) impacts
- Adding quantitative data to qualitative descriptions
- Monetising impacts, and reporting these values in a way which makes different types of impacts easily comparable
- Explaining how impact measurement affects management decisions

Section 3.2 shows how some of the companies we reviewed are doing this in practice.

How we report impact

PwC’s impact reporting shows how our environmental and social impacts compare to our economic and tax impacts, and whether these impacts are positive (green) or negative (red, e.g. environmental impacts). Measuring and reporting on our impacts allows us to prioritise areas where we can have the greatest positive impact, and to demonstrate to stakeholders how we are positively affecting society.

Our impact 2017 (cf. 2016)

PwC 5

https://www.pwc.co.uk/who-we-are/corporate-sustainability/performance/valuing-our-total-impact.html
## An overview of good practice sustainability reporting

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### What

- Provide an overview of your organisation’s key activities and the environment in which you operate.
- Communicate a clear and succinct purpose that explains your company’s raison d’être beyond creating a financial return for shareholders.
- Describe how your sustainability strategy is integrated into your core corporate strategy and demonstrate how it permeates throughout your business.
- Demonstrate that you have an understanding of the sustainability issues that are most relevant to you and your key stakeholders.
- Explain how you engage with principal stakeholders and how this has impacted your sustainability strategy.
- Explain the key strategic risks and opportunities for your organisation that arise from sustainability issues.
- Identify KPIs that are directly relevant to your sustainability strategy and set challenging but realistic targets that you can assess your performance against.
- Provide a clear explanation and quantification of the social, environmental and economic impacts of your business.
- 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.
- 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.
- 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.
- Present information in a balanced and transparent fashion and explain where and how improvements will be made.
- Ensure the credibility of your reported content by referencing, for example, independent studies, external benchmarking, expert review panels or external third party assurance.

### Why

- 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.
- 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.
- 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.
- This will prove to the reader that you are focusing on the most important sustainability issues where your efforts will have the greatest impact.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- This shows the reader that you are monitoring and minimising any resource risks in order to prevent disruption to your organisation in the future.
- 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.
- This gives the reader confidence in the data and confidence in the integrity of your sustainability reporting.
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<td>Introduce the reader to your organisation by giving an overview of your size, operations and activities.</td>
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<td>Define a clear purpose which should be a succinct statement.</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>
<td>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.</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>
<td>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.</td>
</tr>
<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>
<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>
<td>Disclose the relevance and financial implications of these risks and opportunities.</td>
</tr>
<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>
<td>Disclose financial implications behind KPIs. Where relevant, align your sustainability KPIs and targets to the Sustainable Development Goals.</td>
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<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>
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<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>
<td>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).</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>
<td>Set specific targets for material value chain effects and report on progress towards them.</td>
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<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>
<td>If you anticipate possible constraints, describe your strategy for managing these risks.</td>
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<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>
<td>If you reach targets ahead of schedule, set more challenging targets for the future.</td>
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<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>
<td>Include the assurance opinion, which should clearly state the scope of the work, the assurance standard followed and the work completed, in the report.</td>
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</table>
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:**

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

70%

Describe the company’s key business activities and how they link to sustainability. (FTSE 250: 60%)

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**DS Smith Sustainability Review 2018 p.2-3**

**Our purpose**
To redefine packaging for a changing world

**Our vision**
To be the leading supplier of sustainable packaging solutions

**Our culture**
We have a clear set of values that we expect all of our employees to own and live by

- Be Caring
- Be Challenging
- Be Trusted
- Be Responsive
- Be Tenacious

**Our business**
As packaging strategists, we promote longer-term strategies to create a more efficient packaging ecosystem.

**Packaging**
DS Smith is a leading provider of consumer packaging, with emphasis on state-of-the-art packaging design.

- c. 22,800 employees
- 34 countries

**Paper**
We are a leading manufacturer of high-quality papers.

- c. 2,900 employees
- 10 countries

**Recycling**
DS Smith is Europe’s largest cardboard and paper recycler, and a leading global supplier of paper for recycling. We manage over 5 million tonnes of recycling every year.

- c. 800 employees
- 14 countries

**Plastics**
Our Plastics business comprises flexible packaging and dispensing solutions, rigid packaging and returnables, as well as foam products.

- c. 2,000 employees
- 13 countries

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DS Smith clearly explains its operations and activities – we like how this has been put in context against the company purpose, vision and values.

https://www.dssmith.com/company/sustainability/sustainabilityreport

Our approach
At the heart of our approach is our purpose: creating brilliant places through conscious commercialism. It’s about taking a long-term view, working in partnership with our customers and creating destinations that are relevant, attractive and profitable.

What sets us apart
- Our expertise and critical mass enables us to achieve competitive advantage and outperformance
- We believe in placemaking; creating environments where people can thrive
- Our best-in-class asset managers work closely with our customers
- Our approach to regeneration is based on enhancing spaces sensitively, carefully and for the long term

What we do
We actively manage our portfolios through four principal activities.

Investment management
We buy and sell assets in line with our investment strategy, with a focus on our chosen sectors where we can outperform the market through our expertise and critical mass.

Development management
We plan, construct, develop and refurbish to create successful places where our customers and communities can thrive.

Asset management
We actively manage our assets, working closely with our customers to help achieve their business objectives while, at the same time, increasing the value of our portfolio.

Property management
We enhance our investment, development and asset management activities with effective property management to ensure we address the needs of our customers, partners and communities.

What we rely on
We draw upon six capitals in the management of our business model.

Financial resources
Financial capability to run our business.

Physical resources
Property, plant and equipment we own and use.

Natural resources
The natural resources that we manage and use.

Our people
The skills and experience of our employees.

Our know-how
Our collective expertise and processes.

Our networks
Our relationships with stakeholders; including customers, partners and communities.

Reinvestment into the business
We access capital to invest in our portfolios, both through strategic partnerships and the sale of assets where we have completed our asset management plans.

The value we create
Beyond meeting our income and total return targets we also consider the wider value we deliver against each capital.

£329.4m
4.0% year-on-year increase in net revenue profit

£342.5m
Capital spent on acquisitions, developments and capital improvements

50%
Operational waste recycled

95%
Employees ‘Proud to work’ for The Crown Estate

25 hours
Average training per employee p.a.

£2.3bn
Funds managed on behalf of our strategic joint venture partners

Our contribution to the Treasury
Our annual net revenue profit is paid to the Treasury.

£2.7bn
Generated for the Treasury in the last ten years.

Total Contribution
Our evolving methodology enables us to discuss our overall impact on the six capitals. It applies economic multipliers to a number of non-financial metrics, in order to create a comparable assessment of outcomes. Certain metrics are included within this report. Our Total Contribution report and our full methodology can be found at: thecrownestate.co.uk/total-contribution
Define a clear purpose which should be a succinct statement.

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

Reference to your purpose should be consistent across all company communications.

The purpose should form the foundation to your core business strategy.

Communicate a clear and succinct purpose that explains your company’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:

Of the FTSE 100 companies we reviewed:

Lloyds’ purpose is concise and is clearly linked to the core business. This purpose is then supported by a ‘Helping Britain Prosper Plan’ which is underpinned by measurable targets.

Describe the company’s purpose beyond making money for shareholders. (FTSE 250: 33%)
Unilever Making Purpose Pay: Inspiring Sustainable Living Report & Unilever’s Business Model

HOW WE CREATE VALUE
We believe that sustainable and equitable growth is the only way to create long-term value for our stakeholders. That is why we have placed the Unilever Sustainable Living Plan at the heart of our business model.

WHAT WE DEPEND ON
PURPOSEFUL PEOPLE
We are working to halve the environmental footprint from our growth and increasing our positive social impact delivered through the Unilever Sustainable Living Plan.

NATURAL RESOURCES
We are working to halve the environmental footprint from our growth and increasing our positive social impact delivered through the Unilever Sustainable Living Plan.

FINANCIAL RESOURCES
We are working to halve the environmental footprint from our growth and increasing our positive social impact delivered through the Unilever Sustainable Living Plan.

INTANGIBLE ASSETS
We are working to halve the environmental footprint from our growth and increasing our positive social impact delivered through the Unilever Sustainable Living Plan.

TANGIBLE ASSETS
We are working to halve the environmental footprint from our growth and increasing our positive social impact delivered through the Unilever Sustainable Living Plan.

STAKEHOLDERS & PARTNERS
We are working to halve the environmental footprint from our growth and increasing our positive social impact delivered through the Unilever Sustainable Living Plan.

WHAT’S IN A NAME?
PURPOSE OR SUSTAINABILITY: WHAT’S IN A NAME?
There is a lot of talk today about brands with purpose, or sustainable brands, or meaningful brands. The number of descriptions people use is exceeded only by the different interpretations people give them. Some simply mean brands that support a charity or, say, use ‘natural’ ingredients. At the other extreme, people set up whole companies whose sole purpose is to ‘do good’.

PURPOSE OR SUSTAINABILITY: WHAT’S IN A NAME?
PURPOSE OR SUSTAINABILITY: WHAT’S IN A NAME?

VALUE WE CREATE
PURPOSE OR SUSTAINABILITY: WHAT’S IN A NAME?
PURPOSE OR SUSTAINABILITY: WHAT’S IN A NAME?

Our Vision
To make UNILIVER one of the best places to work
WHAT’S IN A NAME?
PURPOSE OR SUSTAINABILITY: WHAT’S IN A NAME?
PURPOSE OR SUSTAINABILITY: WHAT’S IN A NAME?

Our Purpose
To make sustainable living commonplace
WHAT’S IN A NAME?
PURPOSE OR SUSTAINABILITY: WHAT’S IN A NAME?
PURPOSE OR SUSTAINABILITY: WHAT’S IN A NAME?

Our Values
To protect the environment
WHAT’S IN A NAME?
PURPOSE OR SUSTAINABILITY: WHAT’S IN A NAME?
PURPOSE OR SUSTAINABILITY: WHAT’S IN A NAME?

SUSTAINABLE LIVING BRANDS
MAKE A POSITIVE DIFFERENCE TO
SOCIETY AND OUR COMPANY PURPOSE

UNILEVER’S PURPOSE SITS AT THE HEART OF ITS BUSINESS MODEL. NOT ONLY IS THE BUSINESS “PURPOSE-LED” BUT ALSO UNILEVER’S BRANDS AND PRODUCTS ARE “PURPOSE-DRIVEN” TOO. THROUGH UNILEVER’S “MAKING PURPOSE PAY” RESEARCH, THE COMPANY REPORTS ON THE ROLE PURPOSE HAS TO PLAY IN CONNECTING WITH CONSUMERS AND ULTIMATELY CREATING LONG-TERM VALUE FOR STAKEHOLDERS.

Purpose and product
The concept of purpose-driven brands is not new. Among our own brands, Lifebuoy and Ben & Jerry’s have had a social or environmental purpose at their heart since they were founded. But in today’s complex and interconnected world, having a powerful purpose is not enough. Brands must look at their impacts up and down the value chain and across the public domain. For example, they cannot do social good while harming the planet or improve the lives of consumers while ignoring the working conditions of the people who make them.

That is why our definition of a sustainable living brand is one that:
• has a clear purpose that, over time, helps to tackle a social or environmental issue or cause
• produces products that reduce their environmental footprint and/or improve health and wellbeing or livelihoods.

In Unilever that means sustainable living brands make a positive difference to society and, ultimately, to our company purpose: Making sustainable living commonplace.

Unilever’s purpose sits at the heart of its business model. Not only is the business ‘purpose-led’ but also Unilever’s brands and products are ‘purpose driven’ too. Through Unilever’s ‘Making Purpose Pay’ research, the company reports on the role purpose has to play in connecting with consumers and ultimately creating long-term value for stakeholders.

https://www.unilever.com/Images/2495-how-we-create-value-100418_tcm244-521463_en.pdf
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:

88%

Set out a clear sustainability strategy.
(FTSE 250: 74%)

Kingfisher’s sustainable growth plan sets out the company’s roadmap up to 2025 to deliver its purpose. We like that the plan is core to the business and is supported by tangible targets.

Our sustainability pathway

Sustainable health

Our material issues, as shaped by company and stakeholder influence, fall within three sustainability priorities and our Sustainability foundations. They define how we’re making science accessible.

Access to healthcare
- Disease prevention
- Healthcare reform
- Health systems development
- Intellectual property
- Product affordability
- Health outcomes contribution

Environmental protection
- Biodiversity
- Climate change
- Pollution
- Resource efficiency

Internal influencers

Our strategic priorities

Achieve scientific leadership
Return to growth
Be a great place to work

Our Values

We follow the science
We put patients first
We play to win

We do the right thing
We are entrepreneurial

Global megatrends

Unmet medical needs
Non-communicable diseases (NCDs) include cardiovascular, metabolic and respiratory diseases and cancers. They are associated with ageing populations and lifestyle factors, and are increasing worldwide.

Expanding and ageing patient populations
The number of people accessing healthcare is increasing, as is healthcare spending, particularly by the elderly.

Political and economic uncertainty
Civil war and political unrest have caused instability around the world, leading to large numbers of refugees fleeing their homes.

Climate change
Clean air, safe drinking water, sufficient food and adequate shelter are all compromised by the impacts of climate change, extreme heat and intensified natural disasters.

AstraZeneca’s sustainability pathway clearly sets out the company’s strategic priorities across three pillars. We like the links made to global megatrends.

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:

![Chart showing material issues]

We like how Pearson identifies its material issues through extensive stakeholder engagement activities. Pearson also aligns these issues to the company's principal risks.

Identify what the company believes are its material issues. (FTSE 250: 77%)

Cairn discloses a very detailed overview of its materiality analysis and methodology which involves extensive stakeholder engagement.
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:

<table>
<thead>
<tr>
<th>Basic</th>
<th>Intermediate</th>
<th>Advanced</th>
</tr>
</thead>
<tbody>
<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>
</tbody>
</table>

Of the FTSE 100 companies we reviewed:

- **92%** Identify internal and external stakeholders. (FTSE 250: 77%)
- **74%** Outline actions taken in response to stakeholder concerns. (FTSE 250: 42%)

SSE plc Sustainability Report 2018 p.8

"SSE explains the value created for each stakeholder group – it is great to see SSE quantifying its wider impacts on society and the environment here too."

**SSE EMPLOYS AROUND 21,000 DIRECT EMPLOYEES**

SSE depends on the shared talent, skills and values of its employees. It has a framework for ongoing engagement and feedback between itself and employees. This helps ensure SSE creates an engaging and supportive environment where people want to work.

**MATERIAL ISSUES AND ENGAGEMENT METHODS**

Material issues for employees include: opportunities for development and progression, agile working patterns, inclusion and diversity, and the opportunity to have a say and make a difference in the business. SSE engages with employees through continued and structured career conversations, its trade union partners, all-employee engagement surveys and internal communication channels such as its intranet news and blog feed, the SSE employee app and employee conferences.

**HOW SSE CREATED VALUE 2017/18**

- **£25.2m** Investment in training and development

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**NGOs and Civil Society**

SSE engages with NGOs and civil society to gain feedback, support and practical recommendations to help ensure SSE fulfills its commitments to its stakeholders. Engagement provides a better understanding of customer needs, as well as how continuous improvement in customer service can be delivered.

**HOW SSE CREATED VALUE 2017/18**

- **307 gCO₂e/kWh** Carbon intensity of electricity generated

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**Suppliers and Contractors**

SSE operates a programme of hub-and-spoke procurement with key suppliers and contractors so it can maximise cost efficiencies and enhance positive economic, social and environmental outcomes.

**HOW SSE CREATED VALUE 2017/18**

- **£2.9bn** Total procurement expenditure

---

**How SSE created value for each stakeholder group**

SSE achieves value by listening to its stakeholders and working with them to ensure that it addresses the key material issues.

**How Does SSE Create Value for Each Stakeholder Group?**

- **SSE works with c.9,000 direct suppliers and contractors**

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**SSE works with c.9,000 direct suppliers and contractors**

SSE relies on its supply chain to deliver projects and ensure it operates successfully. SSE aims to build strong relationships with suppliers and contractors so it can maximise cost efficiencies and enhance positive economic, social and environmental outcomes.

**MATERIAL ISSUES AND ENGAGEMENT METHODS**

Material issues for suppliers and contractors include: fair expectation in project delivery; management of health and safety; local supply chains; and management of social and environmental impacts. SSE has a structured approach to engaging with its most strategic supply chain partners to establish long-term relationships which create value for all partners. In addition to regular engagement and audits, SSE’s procurement function engages directly with suppliers around key issues to ensure its values are upheld throughout its supply chain.

**HOW SSE CREATED VALUE 2017/18**

- **Supporting sustainable supply chains**

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**Material Issues for NGOs and Civil Society include:**

Environmental protection and climate change; customer vulnerability; employee issues such as the real Living Wage and the gender pay gap, and SSE’s economic contribution and approach to tax. SSE recognises that more can be achieved to solve key societal issues by working with NGOs and civil society groups. It actively seeks engagement through direct feedback on reports, participation in public events and responses to surveys and consultations.

**How SSE created value for NGOs and Civil Society**

- **£25.2m** Investment in training and development

---

**Material Issues for Governments and Regulators include:**

Security of energy supply; cost-effective decarbonisation; fair treatment of customers; economic impact.

**How SSE created value for Governments and Regulators**

- **£25.2m** Investment in training and development

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**Material Issues for Shareholders include:**

SSE’s financial performance; investment plans; dividend policy.

**How SSE created value for Shareholders**

- **£25.2m** Investment in training and development

---

**Material Issues for Suppliers and Contractors include:**

Fair expectation in project delivery; management of health and safety; local supply chains; and management of social and environmental impacts.

**How SSE created value for Suppliers and Contractors**

- **£25.2m** Investment in training and development

---

**Material Issues for Employees include:**

Opportunities for development and progression; agile working patterns; inclusion and diversity; the opportunity to have a say and make a difference in the business.

**How SSE created value for Employees**

- **£25.2m** Investment in training and development

---

**Material Issues and Engagement Methods**

Material issues for institutional investors, analysts and ratings agencies include: SSE’s financial performance; investment plans; and environmental, social and governance (ESG) performance.

**How SSE created value for Institutional Investors, Analysts and Ratings Agencies**

- **£25.2m** Investment in training and development

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**Tips to make your reporting more effective:**

- **Basic**
  - Identify the key internal and external stakeholders to your organisation and describe how they have been engaged.

- **Intermediate**
  - Describe the issues that stakeholders have identified as important and how these have been addressed.

- **Advanced**
  - 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.

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**SSE engages with NGOs and Civil Society**

NGOs and civil society bring specialist and distinctive perspectives, contributing to business decision-making. SSE engages with NGOs and civil society groups that focus on social, environmental and other energy-related issues on behalf of energy customers and wider society.

**How SSE created value for NGOs and Civil Society**

- **£25.2m** Investment in training and development

---

**SSE works with c.9,000 direct suppliers and contractors**

SSE relies on its supply chain to deliver projects and ensure it operates successfully. SSE aims to build strong relationships with suppliers and contractors so it can maximise cost efficiencies and enhance positive economic, social and environmental outcomes.

**How SSE created value for Suppliers and Contractors**

- **£25.2m** Investment in training and development

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

- **92%** Identify internal and external stakeholders. (FTSE 250: 77%)
- **74%** Outline actions taken in response to stakeholder concerns. (FTSE 250: 42%)

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Related Resources:


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If you have any questions or need further assistance, feel free to ask!
We liked how Morrisons clearly identified the different ways it listens to each stakeholder group and what stakeholders care about.

## ONGOING ENGAGEMENT WITH OUR STAKEHOLDERS

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

<table>
<thead>
<tr>
<th>STAKEHOLDERS</th>
<th>HOW WE LISTENED</th>
<th>WHAT OUR STAKEHOLDERS CARE ABOUT</th>
<th>EXAMPLES OF ENGAGEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communities</td>
<td>Council correspondence, letters and surveys, local news, social media.</td>
<td>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.</td>
<td>E£0m donated to local and national causes through Morrisons Foundation.</td>
</tr>
<tr>
<td>Customers</td>
<td>Customer listening groups, sales of products, customer insight survey, social media, correspondence.</td>
<td>We know that customers recognise 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.</td>
<td>Over 1.4 million unsold food products donated to local community groups since 2016.</td>
</tr>
<tr>
<td>Colleagues</td>
<td>Colleague Your Say forums, internal communications, Your Say surveys, colleague social media platforms, CR initiatives.</td>
<td>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.</td>
<td>Supporting local and British food makers.</td>
</tr>
<tr>
<td>Government and regulators</td>
<td>Formal enquiries, meetings, trade associations, social media, visits.</td>
<td>Government policy implemented through legislation, regulation and increasingly sector specific voluntary agreements forms the backdrop to our operational activity.</td>
<td>Responding to customer concern on plastics.</td>
</tr>
<tr>
<td>Investors</td>
<td>Enquiries, surveys, Annual General Meeting, meetings.</td>
<td>Investors scrutinise our activity on a range of environmental and social measures as well as financial performance, to ensure investment risks are limited.</td>
<td>Winckley Veg box launched to help customers eat healthier food more affordably.</td>
</tr>
<tr>
<td>Non-Government Organisations (NGOs)</td>
<td>Enquiries, surveys, collaborative projects, visits, meetings, blogs, social media.</td>
<td>NGO's 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.</td>
<td>Reinforcing our commitment to 100% British meat.</td>
</tr>
<tr>
<td>Suppliers</td>
<td>GSCOP, conferences, meetings, visits, audits and surveys.</td>
<td>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.</td>
<td>Your Say forums continue as well as launch of National Your Say forum.</td>
</tr>
<tr>
<td>Industry</td>
<td>British Retail Consortium (BRC) working groups, IGD working groups, industry conferences, collaborative projects.</td>
<td>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.</td>
<td>LGBT+ colleague network launched.</td>
</tr>
</tbody>
</table>

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.

Explicitly identify sustainability risks (FTSE 250: 67%)

Explicitly identify sustainability opportunities (FTSE 250: 16%)

As part of Ferguson’s ‘Better Business’ framework, key sustainability opportunities and risks are clearly set out against each material issue.
It is great to see CRH looking at sustainability risks at both a corporate and commodity level – we like that CRH’s approach is to turn risks into opportunities.

Understanding our risks and opportunities

Our main challenge comes down to the sheer size and complexity of our supply chain. We cannot tackle everything, and we are not interested in just ticking boxes without achieving real impact and improvement. Understanding where our main risks are and prioritising areas for improvement is key to achieving real progress with our suppliers. We assess risk at the commodity level, in line with ISO 20400 best practice. We use twelve assessment criteria covering areas such as health and safety, human and labour rights, environment, climate change and governance. We then enhance our Category Strategy Plans - based on the risks identified and accompanying opportunity assessment - to drive improvement actions at the point where we have most influence with our suppliers.

Sustainability risks and opportunities

Our ERM process also allows our businesses to focus on the upside of risk and assess viable value creation activities. An example of where this has been achieved is addressing the risk of changing consumer preferences, moving towards the green agenda, by becoming a leader in sustainable building products.

We will continue to identify and manage emerging risks and look for ways to turn them into opportunities where can, as in doing so, we believe we will continue to strengthen both our business and our reputation.

Five step procurement process:

Managing risks and opportunities at the commodity level

1. Identify clear sustainability risks and opportunities alongside commercial needs and objectives
2. Category and market analysis
3. Create sourcing options to shape the commodity strategy
4. Strategy execution
5. Supply management

Outcomes

Reduced business risks
Scoping our contracts and projects to meet sustainability requirements as well as commercial requirements offsets risk.

Improved efficiencies
By focusing at a commodity level we are able to capture procurement savings through this approach.

Opportunities for collaboration
By focussing at a commodity level we are able to identify the right sector scheme to work with for maximum impact.

Proactive management of suppliers
Ensures control of issues such as human rights and labour violations prior to committing orders to suppliers when we have maximum leverage. See our case study on page 42.

Bespoke CSR plan for key commodity groups
See page 42 for an insight into how we are managing natural stone.
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:

<table>
<thead>
<tr>
<th>Basic</th>
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<th>Advanced</th>
</tr>
</thead>
<tbody>
<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>
<td>Disclose financial implications behind KPIs. Where relevant, align your sustainability KPIs and targets to the Sustainable Development Goals.</td>
</tr>
</tbody>
</table>

Of the FTSE 100 companies we reviewed:

74% Disclose targets for each KPI. (FTSE 250: 49%)

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**Landsec Sustainability performance, methodology and data 2018 p.2 and 10**

### Commitment

**Carbon**

Reduce carbon intensity (kgCO_2e/m²) by 40% by 2030 compared to a 2013/14 baseline, for property under our management for at least two years.

- **Performance: On track**

We have reduced carbon intensity by 28.6% compared to the 2013/14 baseline. This is an improvement compared to the 2016/17 reduction of 16.3%. These reductions were achieved through a combination of energy efficiency projects, changes in our portfolio, and changes in emissions factors.

1. This year, we have re-baselined our carbon emissions and intensity to further align with the SBTi reporting methodology. Specifically, we have removed emissions from the delivery of energy to our tenants. This has lowered our 2016/17 carbon intensity reduction against the baseline from 18.5% to 16.3%.

### Energy

Reduce energy intensity (kWh/m²) by 40% by 2030 compared to a 2013/14 baseline, for property under our management for at least two years.

- **Performance: On track**

We have reduced portfolio energy intensity by 14.3% compared to our 2013/14 baseline. This is an improvement compared to the 2016/17 reduction of 13.2%. This year we implemented 60 energy reduction projects across both London and Retail portfolios, with further measures identified and agreed for the majority of our highest consuming assets. These will drive further energy reductions in support of our energy and science-based carbon targets.

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**Landsec energy intensity progress**

[Chart 4](https://landsec.com/sites/default/files/2018-06/Landsec_Sustainability-Performance-Data_180608.pdf)
It is great to see ISG link its KPIs and targets not only to the Sustainable Business Strategy but also to the UN Sustainable Development Goals.
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>
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<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:

- **50%** Specifically disclose the environmental impacts of the business. (FTSE 250: 28%)
- **70%** Specifically disclose the social impacts of the business. (FTSE 250: 26%)

It is great to see Hammerson quantify its socio-economic and environmental impacts as part of the ambition to become net positive in carbon emissions, water, resource use and socio-economic impacts by 2030.

Hammerson Sustainability Report 2017 p. 15

**OUR ENVIRONMENTAL FOOTPRINT**

Our targets are based on extensive environmental and socio-economic footprints we have had calculated for the business. The analysis shows that our operational portfolio is the main source of our environmental impacts. It also shows that the impacts flowing from the tenanted areas of our assets significantly outweigh those from the areas we have direct responsibility for. This knowledge was a key driver behind our decision to include these impacts in our Net Positive targets.

**OUR CARBON EMISSIONS**

- Operational emissions, 153,012 - 79% CO2e/yr
- Development emissions, 38,571 - 20% CO2e/yr
- French shopping centres, 1,650 - 1% CO2e/yr

**OUR WATER**

- Operational water, 1,573,997 m3 - 99.3%
- Development water, 5,877 m3 - 0.4%
- Corporate water, 5,076 m3 - 0.3%

**OUR WASTE**

- Operational waste, 33,860 tonnes - 27.7%
- Development waste, 88,667 tonnes - 72%
- Corporate waste, 341 tonnes - 0.3%

**OUR SOCIO-ECONOMIC FOOTPRINT**

Our footprint research shows that our local community impacts are positive and that our business activities attract significant additional investment into local economies.

The analysis also revealed a wide range of challenges facing the communities we operate in. This knowledge is informing our asset plans as we seek to ensure we tackle issues that are meaningful for the people we want to connect with.

- **£250 MILLION** is currently contributed to the public purse through business rates from our UK shopping centres and retail parks
- **£300 MILLION** is currently contributed to the public purse through retail destinations, with a combined annual wage bill of £800m
- **£7 MILLION** is the estimated yearly cost savings to Government from reduced unemployment benefits

- **40,000 FULL-TIME JOBS** created across Hammerson’s portfolio of retail destinations, with a combined annual wage bill of £800m
- **82% OF LOCAL RESIDENTS** secured retail jobs with almost half (48%) of those under the age of 25

For more information View the True Value of Retail report available on the Positive Places website

http://sustainability.hammerson.com/assets/CarbonFootprintAmendedCoverPDFpdf.pdf
Empower girls and young women in East Africa with Camfed

Since 2013, Pearson has partnered with international NGO Camfed on a project supported by the UK Department of International Development (DFID) and the relevant national Ministries of Education to help girls from low-income communities in Zimbabwe and Tanzania stay in school, learn, and develop key skills for life and work.

Developing unique resources and the Learner Guide Program

Through our partnership with Camfed, young women can train to become mentors, or “Learner Guides.” As Learner Guides, they teach a curriculum called “My Better World” to vulnerable children in rural schools. We co-created the My Better World life skills curriculum with students to ensure it is relevant, gender-sensitive, and effective at improving students’ future employability prospects.

Learner Guide program outcomes

129,142 secondary school children reached by Learner Guides with weekly sessions in 2017.
60,744 vulnerable girls enrolled in secondary school since 2013.
Over 400,000 girls and boys in 1,172 rural secondary schools empowered to improve their educational experience and learning outcomes.
3,820 young women trained as Learner Guides working in 1,172 secondary schools across Tanzania and Zimbabwe.

Pearson’s direct contributions

£581,250 contributed by Pearson over 2016 and 2017 at the request of the Tanzanian Ministry of Education and Vocational Training to enable Camfed to extend the Learner Guide program.
4 new districts now have the Learner Guide program in Tanzania through Pearson funding.
New staff including four Core Trainers, 80 Teacher Mentors, and 236 Learner Guides from rural, marginalized communities were recruited, trained, employed, and offered continued support in 2017.
10,890 children have been reached by the Learner Guides trained through the My Better World program.
74 children have been returned to school after working with Learner Guides in 2017.
6,540 learning materials for children were provided as part of the project.
1,200 marginalized rural girls in Tanzania stayed in secondary school through financial support given in 2017.
43,200 children (approximately) in 80 schools benefited from an improved learning environment through the expansion of the Learner Guide program in Tanzania.

Pearson qualitatively states its environmental, social and economic impacts as well as the impact of certain initiatives, e.g. the Learner Guide program in East Africa. Pearson has also produced eight ‘Efficacy Reports’ to quantify the social impact of its educational products.
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:

<table>
<thead>
<tr>
<th>Basic</th>
<th>Intermediate</th>
<th>Advanced</th>
</tr>
</thead>
<tbody>
<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>
<td>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).</td>
</tr>
</tbody>
</table>

Kier Group’s governance arrangements help guide the delivery of the company’s sustainable business strategy ‘Responsible Business, Positive Outcomes’.

https://www.kier.co.uk/src/reports-results-and-presentations/2017-cr-report.pdf
Our sustainability governance framework

Over sight and responsibility for social, environmental and ethical performance of the Group

Both Mondi and Mondelēz International clearly set out their sustainability governance structures. We also like that Mondi explains how safety performance links to executive remuneration.
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:

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</thead>
<tbody>
<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>
<td>Set specific targets for material value chain effects and report on progress towards them.</td>
</tr>
</tbody>
</table>

Of the FTSE 100 companies we reviewed:

![89%](image)

Include upstream and downstream impacts in materiality assessments and/or target setting. (FTSE 250: 80%)

BT clearly sets out how it is reducing emissions across the value chain, including its upstream emissions with suppliers and downstream emissions from customer use of products and services.

**AstraZeneca Sustainability Report 2017**

### Understanding our emissions reduction targets

**Our aim**
We have set ambitious, science-based GHG reduction targets that support Sustainable Development Goal 13 on Climate Action.

**By 2025**
- Reduce Scope 1 emissions by 20%
- Reduce Scope 2 emissions by 95%
- Reduce all Scope 3 emissions by 25% per million USD of sales

### Our GHG emissions across the value chain

**Our total emissions:** 6.6 million tCO₂e

#### Our operational GHG footprint

<table>
<thead>
<tr>
<th>Year</th>
<th>Scope 1</th>
<th>Scope 2</th>
<th>Scope 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>318,633</td>
<td>281,661</td>
<td>201,365</td>
</tr>
<tr>
<td>2016</td>
<td>291,662</td>
<td>349,664</td>
<td>182,847</td>
</tr>
<tr>
<td>2017</td>
<td>182,847</td>
<td>349,664</td>
<td>182,847</td>
</tr>
</tbody>
</table>

*Some Scope 3 data (less than 10%) is one year in arrears.*

#### Upstream

**Where our emissions occur**

- Upstream production and R&D at non-AstraZeneca sites
- Outsourced supply of API, F&P and transportation
- Our sites and fleet
- Site waste incineration and customer use
- End-of-life for packaging and patient travel

**Percentage of total tCO₂e emissions**

- **61%** Scope 3
- **5%** Scope 3
- **7%** Scopes 1 and 2
- **13%** Scope 3
- **14%** Scope 3

#### How we’re working to reduce GHG emissions

- **Working with suppliers including:**
  - Assessing data to understand the wider impact
  - Identifying emissions hotspots through LCAs
- **Energy efficiencies including:**
  - Collaborating with peers on a supplier environmental data platform
  - Switching from air to sea freight
  - Enabling virtual conferencing
- **Investing in our sites and fleet including:**
  - Using 100% renewable power on all our sites by 2025
  - Funding resource efficient capital projects
- **Product and process advancements including:**
  - Researching alternative propellants for pressurised metered dose inhaler therapies
  - Investing in hazardous waste reduction
- **Product and packaging advancements including:**
  - Designing waste out of our packaging
  - Enabling better adherence to reduce patient travel

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"AstraZeneca shows excellent consideration of its impacts across the value chain, particularly in relation to greenhouse gas emissions (GHGs) and the medicine lifecycle. We like that AstraZeneca has set clear targets to help manage these impacts."
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:

<table>
<thead>
<tr>
<th>Basic</th>
<th>Intermediate</th>
<th>Advanced</th>
</tr>
</thead>
<tbody>
<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>
<td>If you anticipate possible constraints, describe your strategy for managing these risk.</td>
</tr>
</tbody>
</table>

Of the FTSE 100 companies we reviewed:

- 63% Discuss future constraints on their most important non-financial capitals. (FTSE 250: 60%)

As part of Mondi’s Growing Responsibly Model, there is a specific action area on constrained resources. Mondi explains in detail the commitments and activities in place to manage the associated risks. We like the links to the SDGs and explanation of why each action area is important to stakeholders.

Over the past century, the global economy has undergone unprecedented growth. Using and discarding raw materials at an ever-increasing rate has led to resource scarcity, pollution, biodiversity loss, degradation of land and water, and climate change.

At Mondi, using resources wisely and managing environmental impacts has been a long-term driver of our sustainable growth.

<table>
<thead>
<tr>
<th>UN SDGs</th>
<th>Constrained resources and environmental impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>SDG 6</td>
<td>Our focus on operational excellence drives efficiency improvements to ensure responsible use of water, reduction of waste and emissions, the cascading use of wood and development of resource-efficient products.</td>
</tr>
</tbody>
</table>

**Our Growing Responsibly commitments to 2020:**
- Against a 2015 baseline:
  - Reduce specific contact water consumption from our pulp and paper mills by 5%
  - Reduce specific waste to landfill by 7.5%
  - Reduce specific NOx emissions from our pulp and paper mills by 7.5%
  - Reduce specific effluent load to the environment (measure COD) by 5%

**Why is this important to our stakeholders?**
- Industrial growth since the mid-20th century has created wealth, development and economic growth, but it has also endangered the crucial environmental systems society relies on. Without action, the earth will become much less hospitable to our modern globalised society.
- Society expects business to play a key role in both mitigating and reversing these adverse impacts and in supporting more sustainable models of development.
- As population growth drives competition for natural resources such as water and fuel, businesses must use these resources equitably and efficiently, and minimise any adverse impacts.

**Why is this important to Mondi?**
- Our business is natural resource-intensive and we impact on water, air and land through our emissions and waste.
- Alongside the environmental and social benefits, using resources wisely and efficiently makes good business sense.
- Water is vital to our production processes and we treat our waste water to a high standard. We also operate in some water scarce regions where the availability of water is a risk factor.
- Stricter regulation drives our investments to reduce air emissions such as NOx and fine dust emissions.
- Environmental incidents pose a risk to the environment as well as to our reputation, and can have financial and operational implications.
INNOVATION SHOP WINDOW

Innovation is vital if we are to meet the challenges and seize the opportunities facing our business. It has already helped reduce our costs, environmental impacts and operational risk.

Anglian Water clearly explains the challenges facing the business now and in the future, including the business strategy to manage these challenges. We especially like the 'Innovation Shop Window' where Anglian Water shows the role innovation can play in managing risks and creating opportunities across the water cycle.

https://www.anglianwater.co.uk/_assets/media/AWS_AIR2017_Oct.pdf
https://www.anglianwater.co.uk/_assets/media/55189_AW_Long_Term_Strategy_single_pages.pdf
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.

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 for the future.

Of the FTSE 100 companies we reviewed:

We like M&S’s clear and honest approach to reporting performance against each of the Plan A 2025 commitments. It is clear to see where M&S is on track and where more work is required. Each commitment is then broken down further to explain any poor performance and to give further detail on progress.

79%

Give adequate attention to reporting negative and positive performance. (FTSE 250: 80%)

Health for all

We are tackling some of the biggest global health challenges by promoting open innovation, making our medicines and vaccines more accessible, and strengthening healthcare systems.

- Innovation for unmet medical needs
- Building products to better meet need
- Strengthening healthcare infrastructure
- Reducing child mortality
- Fighting malaria
- Eradicating polio
- Access to antiretroviral treatment for HIV
- Eliminating and controlling neglected tropical diseases (NTDs)

Our behaviour

Our values – patient focus, transparency, respect and integrity – underpin everything that we do.

- Ethical conduct
- Promoting values in sales and marketing practice
- Transparency in clinical trials
- Rigorous patient and consumer safety
- Minimising animal testing
- Respecting human rights
- Working with third parties
- Ensuring ethical interactions

Aiming to be carbon neutral

Commitment: Reduce our overall carbon footprint by 25% by 2020 (vs 2010) and have a carbon neutral value chain by 2050.

Progress in 2017

Our overall value chain carbon footprint is made up of Scope 1 and 2 emissions from our direct operations (18%), and Scope 3 emissions from our supplier base (49%) and from the use of our products (33%).

As we provide medicines, vaccines and consumer healthcare products to more of the people who need them around the world, it is proving extremely challenging to reduce our overall value chain footprint.

Our latest analysis shows that our total value chain carbon footprint for 2016 is an estimated 19.5 million tonnes of CO2e. While this is a reduction of 4.2% on 2015, compared with our 2010 baseline, our value chain footprint has increased by 4%.

Our operations

In 2017, our operational emissions (Scope 1 and 2) were reduced by 2% compared with the previous year, as a result of our continuing focus on energy efficiency measures and purchasing renewable energy. Since our 2010 baseline we have reduced annual carbon emissions from energy use by 25% saving a cumulative 1.9 million tonnes of CO2e.

Scope 1 and 2 greenhouse gas emissions (thousand tonnes CO2e)

Scope 3 greenhouse gas emissions (thousand tonnes CO2e)

GSK reports progress against each of its 23 commitments, including where performance has been poor, e.g. “Aiming to be carbon neutral”. It is good to see GSK then explain the level of performance and how the business plans to improve. GSK also states that new commitments will be published in 2018 to drive further impacts and progress.
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.

Tips to make your reporting 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.

Of the FTSE 100 companies we reviewed:

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Have external assurance on some sustainability metrics. (FTSE 250: 47%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>76%</td>
<td></td>
</tr>
</tbody>
</table>

Reference independent data, independent studies, external benchmarking, expert assess panels or external third party assurance to enhance the credibility of your reported content.

Selected Information

- **Burberry’s Basis of Reporting 17/18** explains the definitions and terminology used to describe the Selected Information.

**Responsibility Indicator**

<table>
<thead>
<tr>
<th>Company</th>
<th>Reported performance (Selected Information)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 2017/18 progress:</td>
<td>20,222,227 Kg CO2e</td>
</tr>
<tr>
<td>tonnes of (market-based) carbon emissions</td>
<td></td>
</tr>
<tr>
<td>Total carbon emissions:</td>
<td></td>
</tr>
<tr>
<td>Scope 1 emissions</td>
<td>2,118,811 Kg CO2e</td>
</tr>
<tr>
<td>Scope 2 emissions</td>
<td>32,224,933 Kg CO2e</td>
</tr>
<tr>
<td>Scope 2 emissions market based</td>
<td>38,893,416 Kg CO2e</td>
</tr>
<tr>
<td>Total emissions location based</td>
<td>34,343,744 Kg CO2e</td>
</tr>
<tr>
<td>Intensity Kg CO2e per £1,000 sales revenue</td>
<td>13</td>
</tr>
<tr>
<td>% of the company’s energy consumption sourced from renewable sources</td>
<td>48% of total energy</td>
</tr>
<tr>
<td>Water used at UK offices and internal manufacturing sites</td>
<td>22,835 m³</td>
</tr>
<tr>
<td>Wastewater produced at UK offices and internal manufacturing sites</td>
<td>21,052 m³</td>
</tr>
<tr>
<td>Operational waste sent to landfill from key UK sites</td>
<td>zero tonnes</td>
</tr>
</tbody>
</table>

**Product**

- Product 2017/18 progress: % of product with one or more positive attribute
  - % of product with one positive attribute | 28% |
  - % of product with more than one positive attribute | 14% |
  - % of cotton procured through the Better Cotton Initiative (BCI) | 21% |
  - % of product sourced from factories reporting a 5% reduction in energy use/ water consumption | 15% |
  - % of product sourced from supply chain partners rated ‘Green’ on chemical management | 15% |

**Community**

- Number of people positively impacted | 23,000 |

**Extract of Burberry Group Independent Limited Assurance Report 2017/18**

**Our conclusion**

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 March 2018 has not been prepared, in all material respects, in accordance with the Basis of Reporting.

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

**Selected Information**

The scope of our work was limited to assurance over the information marked with the symbol “^” in Burberry’s Annual Report 17/18 (the “Selected Information”).

The Selected Information and the Basis of Reporting against which it was assessed are summarised in Appendix 1 below. Our assurance report and the conclusion therein does not extend to information in respect of earlier periods or to any other information included in the Annual Report 17/18.

Extract of Diageo Independent Limited Assurance Report 2018

**Purpose**

- Organisation overview
- Strategy
- Materiality
- Stakeholder engagement
- Risks and opportunities
- KPIs and targets
- Impacts
- Governance
- Value chain
- Future proofing
- Balanced reporting
- Assurance

**Selected Information**

- Direct and indirect carbon emissions by weight (market/net based) (1,000 tonnes CO₂e)
- Direct and indirect carbon emissions by weight (location/gross based) (tonnes CO₂e)
- Total direct (renewable and non-renewable) energy consumption (TJ)
- Direct and indirect energy efficiency (MJ/litre packaged)
- Market based (net) intensity ratio of GHG emissions (g CO₂e per litre of packaged product)
- Location based (gross intensity) ratio of GHG emissions (g CO₂e per litre of packaged product)
- Percentage reduction in absolute carbon emissions (direct and indirect carbon emissions by weight (market / net based)) from the prior year
- Packaged product (litres)
- Total water withdrawn (cubic metres)
- Total water withdrawn split by mains, ground and surface water sources (cubic meters)
- Water use efficiency per litre of product packaged (litres/litre)
- Percentage improvement in litres of water used per litre of product packaged from the prior year (percentage)
- Wastewater polluting power (‘BOD’), total under direct control (tonnes)
- Percentage reduction in wastewater polluting power (‘BOD’), total under direct control (tonnes)
- Total volume of waste sent to landfill (tonnes)
- Percentage reduction in total waste sent to landfill from the prior year
- Lost time accident frequency rate per 1,000 full-time employees.

**Reporting Criteria**

- We assessed the selected information using the PwC’s “Reporting Criteria”.

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Extract of Centrica Independent Limited Assurance Report 2017

**Purpose**

- Organisation overview
- Strategy
- Materiality
- Stakeholder engagement
- Risks and opportunities
- KPIs and targets
- Impacts
- Governance
- Value chain
- Future proofing
- Balanced reporting
- Assurance

**Selected Information**

- Lost time injury frequency rate
- Total recordable injury frequency rate
- Significant process safety events (Tier 1)
- Process safety frequency rate (Tier 1 and 2)
- Fatalities
  - Consumer Net Promoter Score NPS:
    - UK Home
    - North America Home
    - Ireland NPS
    - Connected Home NPS
  - Business NPS:
    - UK Business
    - North America Business
  - British Gas NPS
  - Direct Energy NPS
  - Total carbon emissions
  - Scope 1 emissions
  - Scope 2 emissions
  - Internal carbon footprint (core property, fleet and travel)
  - Employee engagement
    - Diversity:
      - Female and male employees
    - Female senior management
  - Retention
  - Performance
    - The performance zones from the long term incentive plans’ non financial KPIs for:
      - Lost time injury frequency rate
      - Significant process safety event (Tier 1)

**Reporting Criteria**


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For more information contact…

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

1 SDG Reporting Challenge 2018: From promise to reality: Does business really care about the SDGs?
https://www.pwc.com/sdgreportingchallenge

2 The Low Carbon Economy Index 2018: Time to get on with it #LCEI
https://www.pwc.co.uk/services/sustainability-climate-change/insights/low-carbon-economy-index.html

3 Fourth Industrial Revolution for the Earth: Harnessing Artificial Intelligence for the Earth
https://www.pwc.com/gx/en/services/sustainability/publications/ai-for-the-earth.html

4 Fourth Industrial Revolution for the Earth: Building block(chains) for a better planet
https://www.pwc.com/gx/en/services/sustainability/building-blockchains-for-the-earth.html

5 Task Force on Climate-related Financial Disclosures (TCFD) Final Report summary for business leaders
https://www.pwc.co.uk/services/sustainability-climate-change/climate-risks-and-the-fsb-task-force.html