

Sustainability reporting

Sustainability reporting encourages transparent reporting of an organisation's environmental and social impacts, alongside its economic impacts, which are more traditionally covered in financial reporting.

Sustainability reporting addresses resource use in its widest sense: from the use of scarce resources, to the impact from their use. For public sector organisations, sustainability reporting includes not only operational impacts, but also policy impacts and efforts to reduce them, from policy design through to implementation. There is a growing concern that corporate reporting is becoming longer and driven by compliance. This fact sheet aims to help organisations bring a strategic perspective to their sustainability reporting, so that it covers concisely the most material information about the organisation.

This fact sheet is based on the knowledge and experience the NAO has built up on good practice in sustainability reporting. The NAO has worked with PwC to support the Building Public Trust Award for sustainability reporting by public sector organisations, in 2011, 2012 and 2013. In December 2012, the NAO also responded to a request from the Environmental Audit Committee to provide them with a briefing on sustainability reporting in government. We reviewed the extent to which central government organisations complied with HM Treasury's sustainability reporting requirements and set this in the context of wider developments in sustainability reporting across the public and private sector.

Government sustainability reporting requirements

In 2012-13, HM Treasury requirements for including sustainability information in Annual Reports were the Public Expenditure System (PES) requirement for departments to report on sustainability in operations, procurement and policy development; and the Financial Reporting Manual (FReM) requirement for central government organisations to include commentary and

financial and non-financial data on waste, resource use and greenhouse gas emissions. For 2013-14 and 2014-15 there will be no increase in the scope of minimum reporting requirements for sustainability reporting. HM Treasury, as part of its project on Simplifying and Streamlining Annual Report and Accounts, is working with stakeholders on designing a new format and guidelines for central government reporting entities' Annual Reports and Accounts. The new requirements are expected to be introduced for the 2015-16 financial year and to impact on sustainability reporting.

Good practice

There is scope for central government to do more to improve the quality of their sustainability reporting. Through our work, we have found that the best sustainability reports address the following key elements:

Strategy: Explaining the organisation's sustainability strategy provides the reader of the report with more contextual information to understand its business and performance. A greater understanding is provided if it is clear what part sustainability plays in the organisation's overall corporate strategy, and how sustainable development issues are incorporated within corporate decision making. The Crown Estate's integrated report for 2012-13, for example, identified how material sustainability issues can impact on the organisation's success and outlined what they are doing about those issues. The best sustainability reports also describe the organisation's governance arrangements and plans for delivering its strategy. For example, the Home Office's 2012-13 report detailed how its sustainable development team reports to a sustainability committee. The report also detailed the composition and purpose of this committee, the Board to which this committee reported, and that this board was chaired by the department's senior sustainability champion.

Materiality: Explaining which sustainability topics or indicators are most material to the organisation and its stakeholders helps the reader understand where the organisation should be focusing its efforts on improving performance. A good report may also set out how the organisation determined which its most material impacts are, to give the reader confidence that key issues have not been missed. For example, the Environment Agency's 2012-13 report explained that most of its environmental impacts arise from its procurement activity, and that the Agency focuses its efforts on its highest risk categories of procurement using a prioritisation methodology.

KPIs and targets: Performance data relating to sustainable development, as well as 'smart' targets help the reader understand how the organisation is performing against its strategy. Organisations subject to the HM Treasury's sustainability reporting requirements should ensure that, as a minimum, they have complied with all the mandatory reporting requirements. The best sustainability reports also explain performance in relation to targets. For example, the NHS Business Services Authority's 2012-13 report included targets for 2012-13 as well as longer term targets, and explained how its actions contributed to meeting the 2012-13 targets and how they were likely to contribute towards meeting the longer term targets.

Balance: Sustainability reports should highlight both good and bad performance in a transparent fashion, to allow the reader to form a balanced view of performance. A good report identifies the areas where the organisation is performing less well and outlines plans to improve performance, to bring it back on track, to exceed targets, or make them more challenging.

Presentation: The report should be clear, concise, easy to read, accessible, and transparent with clear communication of reporting boundaries and baselines. The Home Office's separate 2012-13 sustainability report included useful graphs, tables and case studies to convey key messages and make the reporting more accessible.

Additional Guidance

Our 2012 **briefing** for the Environmental Audit Committee gives our detailed findings on central government sustainability reporting, as well as further examples of good practice. www.nao.org.uk/sustainability-briefing-2013

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Our role

The National Audit Office exists to provide independent opinion and evidence to assist Parliament in holding the Government to account.

We can only do this effectively if we retain our ability to comment objectively and independently on what government does, and we cannot therefore act as an adviser on specific decisions the Government takes. We can, however, reasonably and helpfully point out what we understand to be principles of good practice in particular areas.