

Building Public Trust Awards 2011: Sustainability Reporting

*Sustainability
Reporting in the
FTSE 100 & 250
and Public Sector
(awarded jointly
by PwC and the
National Audit
Office)*

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National Audit Office

The Building Public Trust Award for
Sustainability Reporting in the Public Sector is
awarded jointly by PwC and the National Audit Office

Introduction by Malcolm Preston, Global Head of Sustainability, PwC



In my introduction to last year's awards, I highlighted that both businesses and governments have key roles to play in mitigating and adapting to the effects of climate change and wider sustainability issues.

Today, global events have strengthened this view. Public and private sector organisations have a clear responsibility to measure and manage the impact of carbon on their business and the environment, and to tackle ethical risks and resource constraints in their supply chains.

From both the environmental and economic perspectives, the time for action on these issues is now. Several organisations have already recognised the opportunities presented by sustainability – but sadly these remain the exception, rather than the rule.

These awards are just one indication of the growing importance of sustainability and climate change to business. Having launched

the Building Public Trust Awards in 2003, we added the FTSE 100 and 250 Awards for Sustainability Reporting in 2008, and then the Public Sector Award in 2009. As we did last year, today we are awarding all three at a single, dedicated event.

Today's nominated organisations are leading the way to a more sustainable world through outstanding sustainability reporting that builds trust and credibility. I applaud them for their effort and achievements.

Sustainability Reporting in the FTSE 100 & 250



The results of this year's Sustainability Awards indicate that companies – particularly in the FTSE 100 – are making increasing efforts to incorporate sustainability into their core business strategies.

***Foreword by
Alan McGill,
Sustainability &
Climate Change, PwC***

Progressive companies are acknowledging the business opportunities associated with sustainable growth and the transition to a low carbon economy and are reporting on a broad range of initiatives to inform stakeholders.

While profit remains the dominant measure of success in the current economic model, there is a growing recognition that this may not be the case in the future. For instance, historic financial performance may not be sufficient to assess the long-term prospects of a business in an environment where the dynamic of wealth creation is changing. This changing dynamic requires a more progressive reporting model, one that incorporates non-financial information to support the traditional financial information typically reported.

In response to this shift, businesses are starting to disclose significantly more of the non-financial information which underpins how value is and will be created. This additional information gives a broader perspective on company strategy and positioning. It also reflects a growing acknowledgement that non-financial information is important to stakeholders, and to the ability of a business to retain its long-term licence to operate.

Reporting, particularly regulatory reporting, is by its nature slow to change. But the pace of innovation inside many progressive companies suggests that the regulatory model in the future will adapt more quickly than many people currently believe. The opportunity for most companies is not to wait for regulation, but to ensure that their internal reporting is moving forward and remaining ahead of the curve.



Judges' criteria

In order to maintain consistency and to allow for annual comparison of performance, the judging criteria have remained the same as in previous years. The judging panel was seeking transparent disclosure across all issues and risks related to sustainable development, combined with deep embedding of sustainability thinking and awareness into the overall corporate strategy and objectives. Other criteria included a clear understanding of the impacts of sustainable development, underpinned by appropriate governance, performance indicators, monitoring and assurance.

Judges' comments

The judges felt that the shortlisted companies are continuing to evolve their sustainability reporting, and have achieved a clear step forward in the clarity, transparency and

accessibility achieved by their disclosures.

It was also noted that the standard of reporting across the FTSE 100, and to a lesser degree the FTSE 250, showed an encouraging degree of improvement on previous years.

The panellists were especially impressed by the nominated companies' strong focus on embedding sustainability into the core of their corporate strategy, and their success in highlighting of issues of material importance to the business. Other areas that showed improvement included the disclosures on key stakeholders and sustainability-related risks and opportunities.

Despite this progress, there is still significant room for improvement. Unfortunately the consistently high quality achieved by the nominees is not yet reflected in sustainability reporting across the FTSE 350 as a whole.

Winner

Marks and Spencer Group plc

This report benefits from an excellent, user-friendly structure that clearly links the company's strategy with its seven focus areas, the objectives of each focus area, and the commitments made to achieve those objectives. The information provided on each of the commitments is adequate without becoming voluminous. The report also provides a clear, balanced performance overview that clearly illustrates good performance against objectives and areas for further work.

Highly commended (in alphabetical order):

Hammerson plc

A detailed report that includes strong sections on stakeholder engagement and risk management, as well as applying the Connected Reporting Framework to quantify Corporate Responsibility activities and support the business case for Corporate Responsibility.

Johnson Matthey plc

A highly engaging web-based report that provides a detailed discussion of Johnson Matthey's long term strategy. Other innovative sections include a materiality matrix that includes targets related to material issues, and a stakeholder engagement section that quantifies the distribution of value to stakeholders.

Winner

The Berkeley Group Holdings plc

An excellent report that stands apart from other FTSE 250 companies, and includes a detailed description of the Berkeley Group's long-term 'Vision 2020' strategy. The report also provides an overview of 2010/11 performance, as well as outlining short and medium-term targets and commitments, with clear linkage to the strategy. There are impressive disclosures on the company's approach to identifying material issues and its process for managing risks and opportunities, all linked to Vision 2020.

Highly commended (in alphabetical order):

Balfour Beatty plc

A strong report that illustrates clear linkages between business strategy, sustainability, and business risks and opportunities. The report also provides a detailed outline of the company's sustainability vision and roadmap, including an illustration of the mechanisms in place to measure progress. It goes on to explain why the issues identified are relevant to the business, as well as providing an overview of the action plan/approach for each issue, and brings these to life with performance information and case studies.

Carillion plc

Carillion's report includes transparent and accessible disclosures on Carillion's sustainability strategy and governance, as well as providing a clear outline of the material issues and related impact areas. Specific measures and targets are disclosed for each impact area. The report also includes a discussion of stakeholder engagement that summarises the key issues raised by stakeholders.

Sustainability Reporting in the Public Sector ***(awarded jointly by PwC and the National Audit Office)***



While the headlines continue to focus on public sector austerity, the Coalition Government’s aspiration to be the “greenest government ever” remains firmly in place. Against this background, I am delighted to say that the quality of the best sustainability reporting in the public sector has continued to increase in the past year.

***Foreword by
Paul Cleal,
Government &
Public Sector Leader, PwC***

This is the third year in which we have made this award, and the second in which we have judged it in conjunction with the National Audit Office. We are sure that the recognition that this award provides for good sustainability reporting in the public sector is encouraging – and will continue to encourage – further improvement over time.

It is vital that this improvement does continue, given the pivotal role played by the public sector in achieving national and international sustainability targets, both through its own performance and the policies it implements. This means government organisations at all levels need to raise their game in reporting both on their own impacts and also those they create indirectly in society.

A further positive sign this year is that improved sustainability reporting appears to be extending beyond agencies, and into other government organisations. We would urge government bodies of all types to examine the nominated reports to learn what current best practice looks like.



Judges' criteria

Some 300 reports from public sector bodies were examined, and from these 30 candidates were selected for detailed assessment of their sustainability reporting. The shortlist of three was then produced in conjunction with the National Audit Office by applying a framework of criteria covering an array of sustainability reporting attributes. These criteria mirror those used in the judging of the FTSE award, and include how well sustainability is linked to core strategy, the transparency of reporting in terms of public accessibility and timing, and the clarity and relevance of KPIs and targets.

Judges' comments

The judging panel felt that the three nominated agencies – which also made up last year's shortlist – reflected a general improvement during the past year in public sector sustainability reporting. Even more encouragingly, the judges also found that while agencies such as those on the shortlist still lead the way in this area, other public sector bodies also showed a marked improvement. This rising trend could be seen not only in the reporting by central government departments, but also by NHS trusts and local authorities – a number of which were included in the final long-list.

In the Public Sector

In association with the National Audit Office

Winner

Highways Agency

The Highways Agency has produced a much-improved and extremely well joined-up report, in which sustainability is deeply embedded as a core consideration. Performance is assessed in a balanced and transparent way – including both missed and achieved targets – and the agency’s direct and indirect impacts on the environment are clearly explained. Overall, this is well-presented and outstandingly clear sustainability reporting.

Highly commended (in alphabetical order):

Environment Agency

This comprehensive and well-written report sees the Environment Agency repeat last year’s ‘highly commended’. A shorter format and improved design make this year’s report more accessible, and help to clarify the messaging throughout. The presentation of metrics is especially impressive, with progress against targets clearly explained and illustrated. A big step forward.

The Crown Estate

Last year’s winner returns with a well laid-out and easy-to-follow report that makes good use of graphics to illustrate its activities. The engagement with stakeholders to identify and prioritise material issues is extremely well-explained. However, some judges felt that the reporting was overly positive, and the issues raised by the data presented were not fully explored and explained.

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