Sustainability Reporting tips
Simple actions to make your reporting more accessible and effective
## Contents

*Developments in Corporate Reporting*  
  1

*The way forward*  
  4

*Sustainability Reporting tips:*  
  6
    - Set the scene  
      7
    - Live it, breathe it  
      10
    - What gets measured, gets done  
      14
    - The good, the bad, and the ugly  
      16
    - Snakes and ladders  
      20
    - It’s a material world  
      22
    - Cash is still king  
      24
    - The great beyond  
      26
    - Pay as you go  
      28
    - Ask around  
      30
    - Reach out  
      34
    - Big brother  
      38
    - Prove it  
      42

*Key contacts*  
  45
This is disappointing not only for us, but also for business and society at large. Amid today's tough trading conditions, it is understandable that reporting on sustainability performance may have slipped down the agenda for many boards. But it can make a real difference not least by helping to build and retain trust among a wide range of stakeholders.

It’s for this very reason that transparent and integrated sustainability reporting is especially important in the current environment. This importance applies equally in the public and private sectors, since both businesses and governments have pivotal roles to play in enabling society to mitigate and adapt to the effects of climate change and foster sustainable development.

Our analysis has regularly found that companies score well on the disclosure of their sustainability strategies. However, reporting of risks and opportunities, materiality and performance remain areas of challenge.

Of the reports we reviewed:

- 96%* (78%) disclose some narrative on their sustainability strategy. Despite this, only 39%* (22%) demonstrated linkage to the core business strategy.
- 49%* (25%) include KPIs related to each material issue identified. However, only 16%* (13%) disclose KPIs with specific, measurable targets for all of their material issues.
- 80%* (73%) provide some narrative linking performance on KPIs to strategy, but only 12%* (16%) were clear on how this impacts the strategy.
- 68%* (60%) discuss the relevance and implications of sustainability risks, yet only 38%* (33%) described their approaches to mitigating all of these risks.
- 69%* (36%) disclose the process undertaken to determine their material sustainability issues. 53%* (27%) indicate how stakeholder engagement supports their understanding of material issues.

This year, our assessment suggests, disappointingly, that this progress has slowed significantly. Apart from a few stand-out reports and big improvers, the standard of sustainability reporting has largely remained the same year on year.

Alan McGill, Partner, PwC
**Integrated reporting – what we mean**

Integrated reporting’ continues to be the talk of the town yet it is very difficult to find two people who can agree exactly on what it means. In our view, integrated reporting is more than just a collection of statements covering corporate strategy, business and financial results, environmental, social and governance issues.

To us, an integrated report provides a strategic picture of a business that explains how a business creates and sustains value now and in the future. It recognises that meaningful reporting must include stewardship of more than just financial capital and will include stewardship of intellectual, natural, social or other forms of capital, where these are material to the business.

An integrated report may also report on the risks and opportunities across a company’s entire operations, including their suppliers, customers and other critical elements beyond the legal entity itself. This kind of report should offer a more complete, and joined-up, picture of a company’s performance and prospects.

Integrated reporting is achieved when it shows how governance connects with remuneration and risk, when strategy is designed to exploit a changing market environment, and when strategic priorities align with key resources, relationships and key performance indicators.

So what else is different about ‘integrated reporting’? The International Integrated Reporting Council (IIRC), in its discussion paper, outlines some key differences with the current model (see table).

<table>
<thead>
<tr>
<th>Current model</th>
<th>Future model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting scope</td>
<td></td>
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<tr>
<td>Legal ownership and control</td>
<td>Value chain</td>
</tr>
<tr>
<td>Dominant driver</td>
<td></td>
</tr>
<tr>
<td>Financial, past</td>
<td>Strategic, holistic, future</td>
</tr>
<tr>
<td>Timeframe</td>
<td></td>
</tr>
<tr>
<td>Short term</td>
<td>Short, medium and long term</td>
</tr>
<tr>
<td>Detail</td>
<td></td>
</tr>
<tr>
<td>Long and complex</td>
<td>Concise and material</td>
</tr>
<tr>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td>Rule bound</td>
<td>Responsive to industry &amp; company</td>
</tr>
<tr>
<td>Presentation</td>
<td></td>
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<tr>
<td>Paper based</td>
<td>Electronic</td>
</tr>
<tr>
<td>Trust</td>
<td></td>
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<tr>
<td>Narrow disclosure</td>
<td>Greater transparency</td>
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<tr>
<td>Information construct</td>
<td></td>
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<tr>
<td>Silos</td>
<td>Integrated</td>
</tr>
<tr>
<td>Performance</td>
<td></td>
</tr>
<tr>
<td>Financial capital</td>
<td>All capital – intellectual, human, social</td>
</tr>
</tbody>
</table>

Source: IIRC – Discussion paper: Towards Integrated Reporting – Communicating Value in the 21st Century
The IIRC’s pilot programme, which was launched to help in the creation of the world’s first international integrated reporting (IR) framework, now includes over 80 businesses and 25 investors from around the globe.

The IIRC has launched The Pilot Programme Yearbook 2012 which has identified early IR trends from businesses in the Pilot Programme. The Yearbook provides further information, quotes and case studies.


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**PwC’s integrated reporting model**

For further insight into the PwC integrated reporting model contact us for a copy of *Integrated reporting: What does your reporting say about you?* or for detailed examples of effective reporting in particular areas, email: info@corporatereporting.com
The key to companies turning their reporting into a source of competitive edge, lies in the action taken internally.

The external benefits that come from communicating relevant information to the markets are important, but not always tangible or measurable. The intangible benefits might include: increased stakeholder confidence and trust; enhanced corporate reputation (reduced reputational risk); more productive dialogue with stakeholders.

But arguably, the most fundamental benefits spring from the discipline imposed on a company by shining a light on its internal workings. Companies are telling us that the real catalyst for improvement is finding ways of accessing better information to support management decision-making, board review and employee awareness.

Certainly ‘integrated thinking’ is a central tenet of integrated reporting, and uncovering opportunities to optimise management processes appears to be a key motivator for companies participating in the IIRC pilot programme. Coherent external reporting will follow, but the first goal is a better managed company.

Our engagement with companies, users and regulators highlights a growing recognition that improving the effectiveness of reporting cannot be achieved through compliance and clever presentation. The current debate is rightly focused on the need for reliable, quality information that reflects the reality of a business today and exposes its future prospects.

The financial crisis has placed a premium on information disclosure, risk management, scenario planning and good corporate governance. Seen in this light, experiments in the FRC Reporting Lab and the IIRC’s pilot programme, together with the BIS consultations, are practical forces for improving how businesses are managed as well as mechanisms for better corporate reporting.

‘But arguably, the most fundamental benefits spring from the discipline imposed on a company by shining a light on its internal workings.’
Where are you on the reporting journey?

We believe there are compelling options for every company looking for a way forward with its reporting. The right options will depend on where each company has got to on its reporting journey. Some might choose to get involved in influencing the future, joining the debate, experimenting and innovating. Others will want to wait and see, responding when reporting practices are more fully formed.

In our view, there is no excuse for inaction. Options for companies considering positive action on reporting are outlined in the chart below.

How can you take reporting forward?

**Differentiate**
Think beyond current reporting. Go for competitive edge with integrated reporting, eg:
- Report on your stewardship of all forms of capital – human, social, natural etc as well as financial
- Think beyond the accounting definition of ‘control’, consider risks and opportunities across your entire operations
- Pick up cutting edge ideas from the companies signed up to the IIRC pilot programme
- Take a longer-term perspective with your reporting
- Provide your content with a forward-looking orientation
- Combine financial, operational, governance and environmental information in a concise and coherent way

**Fix**
Keep up with current practice and new requirements. Focus on quick wins and fill any significant gaps, eg:
- Keep up with industry reporting trends and what other companies in your peer group are doing
- Look for ways to avoid repetition and reduce length to improve narrative flow
- Consider whether your risks descriptions can better reflect your industry and specific circumstances
- Consolidate existing content to build a picture of your business model – is any key information missing?
- Use clearer sign-posting and cross-referencing to demonstrate links between key information
- Explain why your ‘key performance indicators’ are key

**Innovate**
Challenge today’s reporting. Experiment with content, structure and integration, eg:
- Explore what a Strategy Report (BIS) might look like and how you could pull the information together
- Understand investors’ bug bears and find innovative ways to address them – sign up to the FRC Reporting Lab?
- Challenge the content of your annual report and whether it is ‘material’
- Innovate with your annual report to create a clearer narrative flow
- Experiment with structure and channels – place standing data on-line?

**Be inspired**
Learn from emerging and best reporting practices, eg:
- Use your strategy to underpin your reporting
- Demonstrate a clear link between your strategic priorities, KPIs and remuneration
- Discuss the group’s risk profile and how it has changed
- Explain the drivers shaping the market in which you operate and how they influence your strategic choices
- Embed business model and corporate responsibility into your discussion of strategy and performance
- Provide more operational/non-financial KPIs to support your discussion of key resources and relationships
- Check out the Building Public Trust Awards winners reports or good practice examples on www.corporatereporting.com
# Sustainability Reporting tips

**Simple actions you can take to make your sustainability reporting more accessible and effective as you communicate your performance to the capital markets and other stakeholders. The following pages provide examples of good practice from across the FTSE 350 and the public sector.**

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set the scene</td>
<td>Provide an overview of your business and the market environment in which you operate to contextualise your reporting for the reader.</td>
<td>7 – 9</td>
</tr>
<tr>
<td>Live it, breathe it</td>
<td>Clearly describe your sustainability strategy over the short, medium and long term. Demonstrate how this is integrated in your core corporate strategy and permeates throughout your business.</td>
<td>10 – 13</td>
</tr>
<tr>
<td>What gets measured, gets done</td>
<td>Identify KPIs which are directly relevant to your sustainability strategy. Explain why they are relevant and how they are defined. Set and review your performance against challenging but realistic targets.</td>
<td>14 – 15</td>
</tr>
<tr>
<td>The good, the bad, and the ugly</td>
<td>Present information in a balanced and transparent fashion. Celebrate success but also avoid glossing over negative sustainability impacts or poor performance against targets. Explain where and how improvements will be made.</td>
<td>16– 19</td>
</tr>
<tr>
<td>Snakes and ladders</td>
<td>Draw out and explain in detail the key strategic risks and opportunities arising from the sustainability agenda. Explain the relevance and implications of each as they relate to your organisation and the actions put in place to mitigate risks and maximise opportunities.</td>
<td>20–21</td>
</tr>
<tr>
<td>It's a material world</td>
<td>Demonstrate an understanding of the sustainability issues relevant to you and your key stakeholders; report only those of material importance.</td>
<td>22 – 23</td>
</tr>
<tr>
<td>Cash is still king</td>
<td>Illustrate how your sustainability strategy has had an impact on the bottom line. Identify and define potential means of maximising economic benefits going forward.</td>
<td>24 – 25</td>
</tr>
<tr>
<td>The great beyond</td>
<td>Consider relevant extended upstream and downstream value chain aspects of your business in order to take account of all its environmental, social and economic impacts, both positive and negative.</td>
<td>26 – 27</td>
</tr>
<tr>
<td>Pay as you go</td>
<td>Explain how directors and staff are incentivised to deliver on the sustainability strategy and the goals set. Ensure that the reader can understand the link between remuneration and actual performance.</td>
<td>28 – 29</td>
</tr>
<tr>
<td>Ask around</td>
<td>Explain how you engage with principal stakeholders and how this has impacted your sustainability strategy and reporting.</td>
<td>30 – 33</td>
</tr>
<tr>
<td>Reach out</td>
<td>Use multiple communication channels thoughtfully. Ensure that the medium, content and style are tailored to both the audience and the messages being delivered.</td>
<td>34 – 37</td>
</tr>
<tr>
<td>Big brother</td>
<td>Explain how the sustainability governance system operates. Identify the board member responsible for sustainability issues, describe the policies that have been implemented and explain how management ensure that these policies are working.</td>
<td>38 – 41</td>
</tr>
<tr>
<td>Prove it</td>
<td>Ensure the credibility of your reported content, for example, by reference to independent studies, external benchmarking, expert review panels or through conventional assurance. Where assurance is used the opinion should clearly state the scope of work.</td>
<td>42 – 44</td>
</tr>
</tbody>
</table>
Set the scene

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

Example:

Johnson Matthey Plc
Annual Report and Accounts 2012
Pages 10 – 13: Our Business
Example:
Centrica plc
2011 CR Performance Review Understanding our business
Road transport has a vital role in supporting economic recovery. The strategic road network carries a third of all vehicle traffic and two thirds of all freight journeys in England. Our network is an integral part of our national way of life facilitating links between communities and to leisure and cultural centres. We understand this doesn’t come without cost to the environment or communities adjacent to our network.

The Highways Agency

Annual Report and Accounts 2012 and website
http://www.highways.gov.uk/about-us/sustainability/

Example:

The Highways Agency
Annual Report and Accounts 2011-12
Live it, breathe it

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

Example:

MITIE Group PLC
Sustainability 2012 micro site
Building a Sustainable Business

We believe growth and sustainability go hand in hand.

The Business Case
As we implement our Plan we are recognising that the business case for embedding sustainability into our brands is strong.

1. Consumers want it. A small but growing number of consumers around the world are seeking the assurance that the products they buy are ethically sourced and responsibly made. A more sustainable brand is often a more desirable brand.

2. Retailers want it. Many retailers have sustainability goals of their own and need the support of suppliers like Unilever to implement them. This collaboration is deepening the relationships we have with our customers.

3. It fuels innovation. Sustainability is a fertile area for both product and packaging innovation. It is allowing us to deliver new products with new consumer benefits.

4. It helps develop new markets. Over half Unilever’s sales are in developing countries, which often face the greatest sustainability challenges. New products that help people adapt to the changing world will drive growth.

5. It saves money. Managing our operations sustainably reduces energy, minimises packaging and drives out waste. It not only generates cost savings, it can also save the consumer money.

6. It inspires our people. Our vision to create a sustainable, growing business is motivating for our employees and appealing to people who are considering joining Unilever.

Our Business Progress
As a business we cannot choose between growth and sustainability. We need to grow if we are to have the resources to invest in renewable energy, sustainable agriculture and product innovation. The Unilever Sustainable Living Plan is helping drive both growth and profitability.

- The brands which are building sustainability into their offer all performed well. For example, Lifebuoy, our concentrated liquid detergents and Comfort all grew double digit in 2011.
- The eco-efficiency programmes in our factories have continued to deliver good levels of savings.
- Our efforts to reduce the amount of packaging we use have also cut costs.

In 2011 Unilever’s underlying sales growth was 6.5%, its market shares improved and its operating margin was broadly stable. We see no conflict between sustainable consumption and profitable growth: they are mutually supportive.

Embedding Sustainability
Only by embedding sustainability into our business will we succeed in reaching our targets. We are doing this in a number of ways.

- Our business strategy now includes sustainability at its heart.
- We are measuring progress. Our brand and functional teams all have sustainability scorecards. These are reviewed quarterly by the Unilever Leadership Executive.
- We are starting to link progress to reward. An increasing number of managers, from the CEO downward, have sustainability goals as part of their compensation.
- We are building sustainability into innovation. We have a set of tools to evaluate the environmental impacts of new products.
- We have appointed 65 sustainability champions to cover every key function, category and country across the business.
- We are building expertise in behaviour change. Unilever’s Five Levers for Change methodology helps our brand and R&D teams design effective programmes (see page 11).
**Example:**

NHS Business Services Authority
Sustainable Development Action Plan 2012/13
Page 5, 6 & 15.

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**Our Sustainable Development Policy**

**Sustainable Development Goal**

The goal of sustainable development is to ensure all people throughout the world are able to satisfy their basic needs, while making sure future generations can enjoy the same quality of life.

Sustainable development recognises the interconnections between society, the environment, and economy – and aims to use a holistic approach to find solutions that deliver benefits for all of these whilst minimising negative impacts. Our long term economic growth relies on protecting and enhancing the environmental resources that underpin it.

**Reference:** www.sd.defra.gov.uk/what/

**Our Approach**

We will support the UK Government’s stated Sustainable Development Goal by:

- Ensuring that sustainable development is addressed within our business strategy and plans;
- Working with our business partners and suppliers to ensure that sustainable development is addressed in our supply chains;
- Setting specific objectives and targets for all areas of our business and reporting it to our the Government’s goal, our objectives and our targets; and
- Establishing and maintaining governance arrangements, ensuring that progress on sustainable development is regularly reported and systematically monitored.

**Supporting Policies**

Although our aim is to ensure sustainable development is addressed within our business strategy and plans, we will implement and maintain policies and procedures to ensure sustainable development is an integral part of all our planning processes. To ensure this is successful the following processes shall be followed:

- Sustainable Development Plan;
- Environmental Policy;
- Health & Safety Policy;
- Sustainable Procurement Policy;
- Health & Wellbeing Policy;
- Further Education & CPD Policy;
- Training and Development Policy;
- Carbon Management Plan.

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**Sustainable Development Actions**

**Key Themes**

In developing this SDAP, we have considered relevant Government, DH and NHS programmes and strategies and have structured the plan around the following easily understandable key themes:

- Sustainable development framework;
- Staff and community engagement;
- Climate change adaptation;
- Energy use in our buildings;
- Water use in our buildings;
- Travel and transport;
- Waste reduction and recovery;
- Sustainable procurement.

The following pages set out the actions that we plan to undertake in each of these areas during 2012/13 to build upon the work completed during previous years, the planned outcomes from these actions, the dates by which these actions will have been performed, and the high-level accountability for delivering these actions.

**Embedding, Delivering, Monitoring**

To make Sustainable Development a reality for us it is essential that the actions outlined within this plan are embedded within our operations, are proactively delivered and accurately monitored and reported.

**Embedding**

We recognise that it is essential that the delivery of sustainable development actions needs to be embedded into our activities and be an integral part of all of our planning processes. To ensure this is successful the following processes shall be followed:

- Business Plans will include consideration of the sustainable development implications, will look to ensure positive outcomes and will ensure mitigation measures are in place where necessary;
- Challenging performance targets related to sustainable development will be set for all areas of the business to help drive continuous improvement;
- All business cases for revenue or capital spending will be reviewed actions implemented to provide positive outcomes wherever possible;
- Sustainable procurement policies and procedures will be followed to embed sustainability requirements within contracts;
- An updated Sustainable Development Action Plan will be incorporated into our corporate NHSBSA Business Plan for 2012/13;
- Appropriate resources, including funding, will be put in place to deliver against this agenda.

Underpinning all of this are our staff and other relevant stakeholders will be actively involved in ensuring that we achieve our goals.

**Delivering**

In order to ensure that our approach to the sustainable development agenda is managed in an organised and systematic way, an Environmental Management System shall be implemented and maintained, and externally certified against the ISO 14001 standard.

**Targets & monitoring**

Accountability for managing the sustainable development agenda has been delegated to Michael Brodie, Director of Finance, and David Teale is our Non-Executive Director lead. Performance is monitored through the Leadership Team Management Review Programme and Main Board meetings.

We are required to undertake monitoring and report in line with a number of programmes, all of which have different requirements in terms of scope and data. These include:

- Central Government - Greening Government programme;
- Carbon Reduction Commitment Energy Efficiency Scheme, and
- HM Treasury - Annual Report requirements.
What gets measured, gets done

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

Example:

Johnson Matthey Plc
Annual Report and Accounts 2012 Performance Highlights
Example:
Balfour Beatty plc
Sustainability Report 2011
Page 6: Our performance at a glance

Our performance at a glance (2009–2011)

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Link for further information</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Trend 2009-2011</th>
<th>2012 target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profitable Markets</strong></td>
<td></td>
<td></td>
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<tr>
<td>Value of completed sustainability products (such as LEED, BREEAM, CEEQUAL) £bn</td>
<td>P30</td>
<td>n/a</td>
<td>2.3</td>
<td>2.5</td>
<td>●</td>
<td>n/a</td>
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<tr>
<td>% of projects with agreed sustainability objectives</td>
<td>P30</td>
<td>n/a</td>
<td>4</td>
<td>7</td>
<td>●</td>
<td>n/a</td>
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<tr>
<td><strong>Healthy Communities</strong></td>
<td></td>
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<td></td>
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<tr>
<td>% of staff completing annual appraisal</td>
<td>P46</td>
<td>63*</td>
<td>59</td>
<td>59</td>
<td>○</td>
<td>90</td>
</tr>
<tr>
<td>Fatal accidents (employees and subcontractors)</td>
<td>P46</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>○</td>
<td>0</td>
</tr>
<tr>
<td>Accident frequency rate (employees and subcontractors)</td>
<td>P44</td>
<td>0.17</td>
<td>0.16</td>
<td>0.17</td>
<td>●</td>
<td>0.10</td>
</tr>
<tr>
<td>Permanently disabling injuries (employees and subcontractors)</td>
<td>P44</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>○</td>
<td>0</td>
</tr>
<tr>
<td>Injuries to the public</td>
<td>P44</td>
<td>156</td>
<td>159</td>
<td>158</td>
<td>○</td>
<td>0</td>
</tr>
<tr>
<td><strong>Environmental Limits</strong></td>
<td></td>
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<tr>
<td>Tonnes CO2e/£m revenue</td>
<td>P61</td>
<td>36.3</td>
<td>41.7*</td>
<td>41.4</td>
<td>○</td>
<td>33.3</td>
</tr>
<tr>
<td>Waste to landfill (tonnes/£m revenue)</td>
<td>P66</td>
<td>80</td>
<td>82*</td>
<td>43</td>
<td>●</td>
<td>41</td>
</tr>
<tr>
<td>% recycled content in major construction materials</td>
<td>P67</td>
<td>n/a</td>
<td>3</td>
<td>7</td>
<td>●</td>
<td>25</td>
</tr>
<tr>
<td>% major construction materials from responsible sources (eg concrete, aggregates and steel)</td>
<td>P70</td>
<td>n/a</td>
<td>19*</td>
<td>34*</td>
<td>●</td>
<td>25</td>
</tr>
<tr>
<td>Sustainably sourced timber (% of total timber spend by value)</td>
<td>P70</td>
<td>89</td>
<td>75</td>
<td>65</td>
<td>○</td>
<td>100</td>
</tr>
<tr>
<td>Water use (m3/£m revenue)</td>
<td>P71</td>
<td>191</td>
<td>250</td>
<td>203</td>
<td>●</td>
<td>225</td>
</tr>
</tbody>
</table>

* Restated data (following improvements made to our data collection systems and analysis)
** UK-only responsible sourcing schemes are not readily available outside the UK for these materials

Red/green rating displayed for performance between 2009 and 2011. The year’s “at a glance” table has been aligned to the numerical targets within our sustainability roadmap and Zero Harm vision. Although our sustainability roadmap does not yet include quantified measures in the profitable markets area, we have included two indicators to provide some balance to the scope of our performance reporting. 2010 is the baseline year for our CO2e, waste and water reduction targets.

We have made good progress in reducing our waste to landfill and are on track to achieve our 50% reduction by 2012. Our water reduction target has been achieved a year early and we will develop a new target for 2015. Our UK businesses continue to make good progress in sourcing major construction materials from recognised responsible sources, exceeding our 25% target a year early. Progress outside the UK is inhibited by a lack of equivalent responsible sourcing schemes.

More detailed five-year performance data, displayed by region and the progress each of our operating companies is making against our 2020 sustainability vision and roadmap, is provided here (see our Data tables section).

There are areas of our performance where we fell short in 2011. These include:

- The tragic loss of five lives due to workplace accidents and a further five permanently disabling injuries (see our Health and safety section)
- We were also fined £163,000 GBP equivalent in 2011 for health and safety offences (see our Health and safety section) and £18,800 GBP equivalent for environmental violations (see our Environmental compliance section)
- Reducing our energy use is challenging, being driven by the significant growth of our Hong Kong business, including energy intensive tunnelling projects
- The value of sustainably sourced timber has decreased as we have been unable to secure adequate evidence that all our timber purchases are from recognised responsible sourcing schemes
- Exclusion from the Dow Jones Sustainability Index

More detailed five-year performance data, displayed by region and the progress each of our operating companies is making against our 2020 sustainability vision and roadmap, is provided here (see our Data tables section).
The good, the bad, and the ugly

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

Example:

Marks and Spencer Group plc
How we do business report 2012
Pages 6-11: Management Summary and pages 40 – 41: Performance Summary.
We will strive to bring commercially viable, consumer acceptable reduced-risk products to market.

The greatest negative impact of our business is the real and serious health risks of tobacco products. So developing reduced-risk products for those adults who use tobacco products is a priority. There are many challenges in this: the science is complex; collaboration is needed between scientists, tobacco companies and regulators; products need to meet consumer expectations; and we need a regulatory framework that supports tobacco harm reduction. We are committed to meeting these challenges.

### Our material issues

**Reported**
- Reduced-risk products
- Engagement

**Covered at www.bat.com**
- Information on the health risks of smoking
- Second-hand smoke

Read more on page 5 and online at [www.bat.com/sustainability/materiality](http://www.bat.com/sustainability/materiality)

<table>
<thead>
<tr>
<th>2011 goals and commitments</th>
<th>Status</th>
<th>Page</th>
<th>2012 goals and commitments</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Validate and submit for publication detail of a series of laboratory models of diseases, such as cancer, chronic obstructive pulmonary disorder and cardiovascular disease, as well as the biological processes of inflammation and oxidative stress by end 2011. (A number of studies have been submitted in 2011 and the remaining will be submitted in 2012.)</td>
<td>Take the laboratory models of diseases through an external validation phase involving collaborative research with scientific partners.</td>
<td>End 2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work with our External Scientific Panel on the design of a longer clinical study of biomarkers of exposure to tobacco smoke toxicants and biomarkers of biological effect by end 2011.</td>
<td>Register and undertake a longer clinical study of biomarkers of exposure to tobacco smoke toxicants and biomarkers of biological effect under ethical approval and to high clinical standards.</td>
<td>End 2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement our reinvigorated biotechnology programme and submit the latest results of the research for publication by end 2011.</td>
<td>Submit for publication more of our research on the tobacco genome and undertake further field trials on tobacco plants with lower toxicant levels.</td>
<td>End 2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Present our scientific findings at international conferences and maintain or increase our publications in peer-reviewed journals by end 2011.</td>
<td>Present our scientific findings at international conferences and continue to improve the standard of our publications in peer-reviewed journals.</td>
<td>End 2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Further improve <a href="http://www.bat-science.com">www.bat-science.com</a> to facilitate greater input from the external scientific community into our scientific research programme by end 2011. (This work has been put on hold while we explore the best way to share our science further through electronic media.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Review our approach to snus test marketing by end 2011.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Example:**

Environment Agency
Annual Report and Accounts 2011-12
Page 105: Appendix C. Page 102: Appendix A.

### Our sustainability performance

<table>
<thead>
<tr>
<th>Sustainability KPI</th>
<th>2011-2012 actual</th>
<th>Target performance</th>
<th>Financial indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon dioxide (CO$_2$) emissions</td>
<td>56,000 tonnes CO$_2$</td>
<td>Off target</td>
<td>-</td>
</tr>
<tr>
<td>Office waste</td>
<td>552 tonnes</td>
<td>On target</td>
<td>£730,000</td>
</tr>
<tr>
<td>Office waste sent to landfill</td>
<td>50 tonnes</td>
<td>On target</td>
<td>£120,000</td>
</tr>
<tr>
<td>Mains water consumption</td>
<td>48,000 m$^3$</td>
<td>On target</td>
<td>£250,000</td>
</tr>
<tr>
<td>Buildings energy consumption</td>
<td>32.6 million kWh</td>
<td>On target</td>
<td>-</td>
</tr>
<tr>
<td>Total energy expenditure</td>
<td>-</td>
<td>-</td>
<td>£6.5 million</td>
</tr>
<tr>
<td>Official business travel (no trains)</td>
<td>36.9 million miles</td>
<td>On target</td>
<td>-</td>
</tr>
<tr>
<td>Official business travel (including train)</td>
<td>55 million miles</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total business travel</td>
<td>-</td>
<td>-</td>
<td>£13.9 million</td>
</tr>
</tbody>
</table>

### Outcome measure and progress

<table>
<thead>
<tr>
<th>2011-2012 target</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2a More waste is fully recovered to the standards defined in the Quality Protocols, such that it is no longer classed as waste</td>
<td>940,000 Red</td>
</tr>
</tbody>
</table>

**Target not achieved**

Delays in development and review of quality protocols means we can only use waste diversion figures for Compost and Poultry Litter Ash, as these are the only protocols completed in 2011-2012. The delays have been due to a number of issues including:

- the determination of hazardous substances under the Groundwater Daughter Directive
- ongoing research into the impacts on animal health
- changes to the processing and make-up of waste

We are working through these issues and continue to focus on delivering the protocols or investigating and implementing alternative approaches to reducing the amount of waste going to landfill. This measure is being reviewed for 2012-2013 to include a greater focus on facilitating waste reuse and recovery.
**Snakes and ladders**

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

**Example:**

*The Berkeley Group Plc*
*Sustainability Report 2012 – Executive Summary*

<table>
<thead>
<tr>
<th>THE CUSTOMER EXPERIENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KEY RISK</strong></td>
</tr>
<tr>
<td><strong>FINANCIAL IMPACT</strong></td>
</tr>
<tr>
<td><strong>MANAGEMENT THROUGH VISION2020</strong></td>
</tr>
<tr>
<td><strong>KEY OPPORTUNITY</strong></td>
</tr>
<tr>
<td><strong>FINANCIAL IMPACT</strong></td>
</tr>
<tr>
<td><strong>MANAGEMENT THROUGH VISION2020</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BUILDING GREENER HOMES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KEY RISK</strong></td>
</tr>
<tr>
<td><strong>FINANCIAL IMPACT</strong></td>
</tr>
<tr>
<td><strong>MANAGEMENT THROUGH VISION2020</strong></td>
</tr>
<tr>
<td><strong>KEY OPPORTUNITY</strong></td>
</tr>
<tr>
<td><strong>FINANCIAL IMPACT</strong></td>
</tr>
<tr>
<td><strong>MANAGEMENT THROUGH VISION2020</strong></td>
</tr>
</tbody>
</table>
DELIVERING VALUE FOR MONEY

ENGAGING CLIENTS

CLIENT FOCUSED PEOPLE

CLIENT VALUE
It’s a material world

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

Example:
RSA Insurance Group plc
Corporate Responsibility Report 2011/2012
Page 16: Materiality

MATERIALITY

Every year we compile a risk matrix to help determine the material issues for our CR strategy and reporting. Issues are assessed through a variety of channels. These include our group risk framework, stakeholder engagement process, external benchmarking, investor assessments, sustainability ratings and the employee CR survey, as well as a materiality review by Forum for the Future.

<table>
<thead>
<tr>
<th>STAKEHOLDER VIEWS</th>
<th>Economic situation</th>
<th>Social inclusion</th>
<th>Transparency</th>
</tr>
</thead>
<tbody>
<tr>
<td>High priority</td>
<td></td>
<td>Flooding / Climate Safety Disasters</td>
<td>Customer service</td>
</tr>
<tr>
<td>Medium priority</td>
<td>Ageing populations</td>
<td>Investments</td>
<td>Employee wellbeing</td>
</tr>
<tr>
<td>Low priority</td>
<td>Obesity</td>
<td>Corruption</td>
<td>Employee training</td>
</tr>
<tr>
<td></td>
<td>Water scarcity</td>
<td>Ecosystem decline</td>
<td>Product innovation</td>
</tr>
<tr>
<td></td>
<td>Urbanisation</td>
<td>New technology</td>
<td>Supply chain</td>
</tr>
<tr>
<td></td>
<td>Emerging markets</td>
<td>Energy security</td>
<td>Diversity</td>
</tr>
<tr>
<td></td>
<td>Resource prices</td>
<td></td>
<td>Direct environmental impact</td>
</tr>
<tr>
<td>Limited influence or no ability</td>
<td>Able to influence or encourage mitigation</td>
<td>Direct control or ability to mitigate</td>
<td></td>
</tr>
</tbody>
</table>

Issues being flagged in any of the processes are assessed against:

- Significance to RSA (including importance to stakeholders);
- Alignment to our core business; and
- Our ability to influence.

Our 2011 materiality assessment confirmed that financial and social inclusion, food risks associated with climate change, safety and disasters remain key issues for us. We are tackling these through our strategic focus on safety, the environment, social inclusion (see page 19) and community activities (see page 30). Rising up the agenda this year are issues concerning the economy and public spending. While we have little control over these, they are important considerations for the company as they will affect the environment in which we operate.
**Material issues**

We use a formal process to identify the aspects of being a responsible and sustainable business that are most material (relevant and significant) to our business and stakeholders. This process is a key principal of the AA1000 Assurance Standard 2008, which we use in our reporting.

**Material issues in 2012**

This year’s materiality study showed largely consistent findings with previous years.

Our most material issues appear at the top right hand section of the chart below.
Cash is still king

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

Example:

Hammerson plc
Annual Report 2012
Pages 28 – 29: Connected Reporting Framework
Example:
Johnson Matthey Plc
Annual Report and Accounts 2012
The great beyond

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

Example:

British Land plc
Building Business, Creating Growth: Our Socio-Economic Contributions Report 2012
Example:

**PUMA SE**
PUMA’s Environmental Profit and Loss Account for the year ended 31 December 2010

---

**The Environmental Profit and Loss**

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Water use</th>
<th>GHGs</th>
<th>Land use</th>
<th>Other air pollution</th>
<th>Waste</th>
<th>TOTAL</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>33%</td>
<td>33%</td>
<td>25%</td>
<td>7%</td>
<td>2%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>47</td>
<td>47</td>
<td>37</td>
<td>11</td>
<td>3</td>
<td>145</td>
<td>100%</td>
</tr>
<tr>
<td>PUMA operations</td>
<td>&lt;1</td>
<td>7</td>
<td>&lt;1</td>
<td>1</td>
<td>&lt;1</td>
<td>8</td>
<td>6%</td>
</tr>
<tr>
<td>Tier 1</td>
<td>1</td>
<td>9</td>
<td>&lt;1</td>
<td>1</td>
<td>2</td>
<td>13</td>
<td>9%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>4</td>
<td>7</td>
<td>&lt;1</td>
<td>2</td>
<td>1</td>
<td>14</td>
<td>9%</td>
</tr>
<tr>
<td>Tier 3</td>
<td>17</td>
<td>7</td>
<td>&lt;1</td>
<td>3</td>
<td>&lt;1</td>
<td>27</td>
<td>19%</td>
</tr>
<tr>
<td>Tier 4</td>
<td>25</td>
<td>17</td>
<td>37</td>
<td>4</td>
<td>&lt;1</td>
<td>83</td>
<td>57%</td>
</tr>
</tbody>
</table>

Complete results and the story behind PUMA’s E P&L - the first ever attempt to measure, value and report the environmental externalities caused by a major corporation and its entire supply chain.

**PUMA's Environmental Profit and Loss Account for the year ended 31 December 2010**
Pay as you go

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

Example:

Royal Dutch Shell plc
Annual Report and Form 20-F 2011
Pages 62 to 77: Directors’ Remuneration Report

For the 2011 Executive Directors’ Scorecard, the sustainable development component was a combination of the safety measure (10% weight) and additional targeted internal measures (10% weight in total) covering operational spills, energy efficiency and use of fresh water. These measures reflect some of the most important sustainability issues faced by Shell and will also be used for 2012.
Example:

**Xstrata plc**

*Annual Report and accounts 2011*

*Page 97 & 98: Remuneration report*

**Remuneration policy**

Our remuneration policy and practices aim to attract, retain and motivate the high-performing individuals we rely on to deliver our business strategy and create long-term value. We believe that performance-related pay should incentivise exceptional performance and that rewards should be closely linked to and commensurate with performance.

1. Over 80% of the executive pay package is performance-related and therefore ‘at risk’ (i.e. the contractual obligation to pay is dependent on satisfaction of performance criteria).

2. For exceptional performance, potential pay levels are positioned in the upper quartile of the global mining industry and other global FTSE100 companies.

3. Performance is assessed on a holistic basis, taking into account a wide variety of factors that are aligned to the delivery of superior long-term returns to Xstrata’s shareholders and continuous and sustainable improvements in the underlying operating and financial performance of Xstrata.

   - Individual performance criteria for annual bonus awards reflect health and safety, environment and sustainability performance, financial performance in both absolute and relative terms; and the effective delivery of strategic priorities including the project pipeline, and various lead performance indicators. The use of multiple factors ensures that bonuses cannot be earned on the basis of inappropriate or risky behaviour and avoids rewarding achievements against one or narrow objectives that come at the expense of performance in other areas.

   - The value of long-term incentives is dependent upon both absolute and relative share price performance and vesting is subject to the satisfaction of stretching performance conditions as outlined below under “Long Term Incentive Plan”. In the event that performance is below threshold, participants will receive no benefit from long-term incentives.

4. Pay arrangements are intended to remain in place, so far as is practicable, throughout the business cycle. We have therefore avoided making frequent changes to incentive arrangements or performance metrics.

**Elements of remuneration**

The table below sets out a summary of the component elements of our remuneration policy for executive directors.

<table>
<thead>
<tr>
<th>Element</th>
<th>Total remuneration</th>
<th>Performance related pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed pay</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base pay</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Committee bonus plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term incentive plan</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Added value plan**

The table above sets out a summary of the component elements of our remuneration policy for executive directors.
Ask around

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

Example:

British Land plc
Stakeholder Survey Report 2011
**Example:**

**Centrica plc**

Sustainability Report 2011 – 2011 Stakeholder Engagement Summary


---

### 2011 Stakeholder Engagement Summary

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Key Interests</th>
<th>What We Want to Know</th>
<th>Our Aims</th>
<th>Engagement Methods</th>
<th>Our 2011 Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers (continued)</td>
<td>Climate change / carbon reduction</td>
<td>Policy and regulatory frameworks across all areas impacting our business</td>
<td>We operate in highly regulated markets around the world where public policy decisions can affect all aspects of our operations, including investment decisions, consumer protection and employment relations. We seek open, transparent and deregulated energy markets.</td>
<td>Consultation responses</td>
<td>We are active members of the Carbon Monoxide Consumer Awareness Alliance (COCOA) and provided over 200,000 CO monitors to customers in 2011.</td>
</tr>
<tr>
<td></td>
<td>Consumer protection</td>
<td>Pricing and customer support obligations</td>
<td>We do not favour any one political party and work closely with political stakeholders to inform policy formation on important issues such as energy, environment, consumers and employment relations.</td>
<td>Advocacy and position papers</td>
<td>Our Direct Energy and British Gas Customer Ideas Factories, which are web-based customer discussion groups, continued to consider new proposals and questions submitted by the company on issues ranging from climate change to payroll giving.</td>
</tr>
<tr>
<td></td>
<td>Education/skills</td>
<td>Broader understanding of the market and political environment and how it impacts on our strategy</td>
<td>We continue to support mechanisms that promote low carbon technologies, and through consultation outlined our recommendations for the plans for the Green Deal and ECO in January 2012.</td>
<td>Direct engagements with government and Regulator representatives</td>
<td>We continue to support mechanisms that promote low carbon technologies, and through consultation outlined our recommendations for the plans for the Green Deal and ECO in January 2012.</td>
</tr>
<tr>
<td></td>
<td>Employee health and safety</td>
<td>Perceptions and views of our business and approach</td>
<td>We are a signatory of the UK Health &amp; Safety Executive pledge.</td>
<td>External panel, CR Advisory Group</td>
<td>We are a signatory of the UK Health &amp; Safety Executive pledge.</td>
</tr>
<tr>
<td></td>
<td>Energy efficiency measures and technology</td>
<td>Which of our customers are vulnerable and require additional support</td>
<td>We continue to support mechanisms that promote low carbon technologies, and through consultation outlined our recommendations for the plans for the Green Deal and ECO in January 2012.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Energy pricing</td>
<td>Policy and regulatory frameworks across all areas impacting our business</td>
<td>We operate in highly regulated markets around the world where public policy decisions can affect all aspects of our operations, including investment decisions, consumer protection and employment relations. We seek open, transparent and deregulated energy markets.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Energy security</td>
<td>Pricing and customer support obligations</td>
<td>We do not favour any one political party and work closely with political stakeholders to inform policy formation on important issues such as energy, environment, consumers and employment relations.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Environmental management</td>
<td>Broader understanding of the market and political environment and how it impacts on our strategy</td>
<td>We continue to support mechanisms that promote low carbon technologies, and through consultation outlined our recommendations for the plans for the Green Deal and ECO in January 2012.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HSE compliance</td>
<td>Perceptions and views of our business and approach</td>
<td>We are a signatory of the UK Health &amp; Safety Executive pledge.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Market competition</td>
<td>Which of our customers are vulnerable and require additional support</td>
<td>We continue to support mechanisms that promote low carbon technologies, and through consultation outlined our recommendations for the plans for the Green Deal and ECO in January 2012.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Social inclusion</td>
<td>Policy and regulatory frameworks across all areas impacting our business</td>
<td>We operate in highly regulated markets around the world where public policy decisions can affect all aspects of our operations, including investment decisions, consumer protection and employment relations. We seek open, transparent and deregulated energy markets.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vulnerable customers/fuel poverty</td>
<td>Pricing and customer support obligations</td>
<td>We do not favour any one political party and work closely with political stakeholders to inform policy formation on important issues such as energy, environment, consumers and employment relations.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

Page 2 of 5
Example:

The Crown Estate
Annual Report and Accounts 2012
Pages 55-56: Sustainability

Working together

We recognise we have a responsibility to act in a way that demonstrates we can be trusted today and over the long term.

Our approach

We work to build open, transparent and mutually beneficial relationships with all of our stakeholders, including

- Employees
- Customers
- Suppliers
- Local communities

Our action

We have rolled out a new Code of Business Ethics and are working on a communications plan to embed this into our business. In the event of any complaints, the complaints management process has been updated to reflect the new Code of Business Ethics.

We are committed to maintaining excellence at all times and we measure this through surveys. If the left-hand and right-hand columns are equal, respondents indicate that our performance is within the standards we have established.

Stakeholders

We recognise that the success of our business depends on positive engagement with many different stakeholders. In addition to local communities, we also engage with politicians at all levels of government, including national, devolved, regional and local and other organisations with an interest in our activities.

Our performance

A key aspect of creating mutual benefit for all stakeholders is our engagement at Harrow in Central London where we are providing land, facilities and staff time to help develop a sustainable regeneration strategy with the local community, Harrow Council,キャプテンNational Park Authority, and Highland and Islands Enterprise.

Materiality and engagement

We undertake a formal process to determine the most material issues for our business. This is informed by our business goals, our corporate risk management process and through engagement with our stakeholders.

We are committed to ensuring that whenever we engage, we meet the highest standards of transparency with our stakeholders through the following commitments:

1. All relevant stakeholders will be consulted.
2. The information we provide will be accurate, accessible and in clear language.
3. We will keep a clear record of all communications.
4. We will provide feedback so that the consultation is a genuine two-way process in clear language.
5. The views of stakeholders will be considered before coming to any final decision.

In the past financial year we have engaged with our stakeholders on a wide range of issues including: planning of new developments and progress on the world’s first commercial wave and tidal energy programme. These have taken place at locations ranging from Exmouth in Devon, to Forth海关 and Hþrdal Islands in Scotland. We also sit on working groups to develop policy such as the Country Land and Business Association and the British Property Federation.

Control or influence

The way we manage our diverse portfolio broadly falls into two categories: ‘control’ – where we directly manage the property, typically through managing agents and are able to set standards and identify common goals; and ‘influence’ where our challenge is to encourage actions in line with our values, through engagement, research and by recognizing best practice through awards. The sustainability performance data in this report covers the properties and activities under our control. Our online annual and sustainability report details where we have control and influence across all of the activities carried out on each of our estates.
Reach out

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

Example:

Unilever PLC
Online Sustainable Living Plan Progress Report for 2011.
http://www.unilever.com/sustainable-living/
Example:

InterContinental Hotels Group
Corporate website
Multiple sources
Example:

The Environment Agency – Website
Big brother

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

Example:

Shanks Group plc
Annual Report & Accounts 2012
Page 39 (Our Corporate Responsibility and Sustainability Reporting framework) & page 68 (Our Corporate Governance reporting management framework)
Example:

Experian PLC
Corporate Responsibility Report 2011
Example:

The Crown Estate
Annual Report and Accounts 2011-12
Pages 54-55: Sustainability & Our Strategy

Director’s introduction

Three years ago, we developed our sustainability strategy, embarking upon a vision to become a sustainability ‘innovator’. This was a challenging ambition, but year-on-year we have taken meaningful strides towards its achievement.

This last year we have rolled out a community investment policy which focuses our efforts to help communities and local organisations make improvements, whilst also delivering commercial value to our business. We exceeded our Going for Gold target, achieving platinum in the Business in the Community Corporate Responsibility Index, and we were placed in the top 16 per cent of participants in the Carbon Reduction Commitment (CRC) league table. Leading by example, we completed the construction of Quadrant 3, a flagship scheme that embodies sustainable development, not only creating a large new public space in the West End of London, but housing a combined cooling, heat and power (CCHP) unit with Europe’s most energy efficient fuel cell. We have also signed up 13 GW of offshore renewable energy capacity; significantly enhancing energy security for the UK.

We now have a solid baseline, but sustainability is a journey rather than a destination and our achievements to date, coupled with the further impetus created by the appointments this year of Alison Nimmo (our chief executive), Mark Gough (head of sustainability) and Claudine Blamey (in a newly created urban sustainability manager post), present the opportunity to redefine our vision, creating an integrated business approach.

We will need to continue to build strong value-based partnerships in order to remain resilient in an uncertain future of environmental and social change. Our broad reach across a highly diverse portfolio positions us as a catalyst and will see us deliver on our ambition to be ‘innovators’ for sustainable business.

Vivienne King
Director with responsibility for sustainability

We have a clear governance structure for sustainability that defines roles and responsibilities and helps us implement our strategy.

Main Board

Sustainability Committee

Responsible for developing and monitoring The Crown Estate’s sustainability strategy. Meets quarterly, chaired by the chief executive.

Sustainability pillars:

- Working together
- Tackling climate change and energy security
- Driving environmental value
- Sustaining communities
Prove it

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

Example:

NEXT Plc
**Example:**

*Xstrata plc*

*Creating shared value: Sustainability Report 2011*

*Page 9: Performance*

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### Performance

**Group 2011 Scorecard**

<table>
<thead>
<tr>
<th>Assurance and strategy</th>
<th>2011 targets</th>
<th>2011 performance</th>
<th>2012 targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>All managed operations and projects to undergo third party SD Standards audit at least once every three years with findings presented to the Board HSEC Committee</td>
<td>SD Standards Audits are being conducted as per audit schedule and 17 audits were completed in 2011.</td>
<td>All managed operations and projects to achieve a minimum overall audit rating of 65% in scheduled third party SD Standards Audits.</td>
<td></td>
</tr>
<tr>
<td>At all managed operations and projects, Group Internal Audit to complete in-depth audits of SD risks identified by risk and materiality</td>
<td>Nominated managed operations and projects are being audited as per audit schedules.</td>
<td>All managed operations and projects to achieve a minimum overall audit rating of “Acceptable” in scheduled Group Internal Audit SD Risk Audits.</td>
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<td>All managed operations to document an annual review of site closure plans</td>
<td>Nearly all managed operations have processes in place to annually review closure plans. The Sinclair nickel mine closure plan is awaiting third party confirmation of rehabilitation costing. At Nikkalverk, a closure plan exists only for the underground waste storage area.</td>
<td>All managed operations to document an annual review of closure plans.</td>
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<td>Health, safety, environment and community elements in individual SD Standards to score &gt;50% in third party SD Standards audits</td>
<td>Four Xstrata Coal sites (Newlands surface, Newlands underground, Goedgedwonden and Bulga open cut mine) had elements of specific SD Standards which scored &lt;50%.</td>
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<td>Site SD improvement plans for all managed operations will be reviewed by commodity business management and consolidated reports will be submitted to the Group Executive and the Board HSEC Committees</td>
<td>All commodity businesses have processes in place to review their SD improvement plans for managed operations and to provide the Group Executive and Board HSEC Committees with a consolidated report.</td>
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<td>All managed operations to maintain risk-based internal and external audit schedules for major waste storage facilities</td>
<td>Completed for all managed operations except Xstrata Copper’s Altonorte smelter where an audit schedule was completed in the first quarter of 2012.</td>
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</table>
PwC has long been at the forefront of thinking around sustainability. The UK sustainability practice has over 15 years of experience delivering insight and solutions to clients around the world.
Key contacts:

PwC has a strong network of people who can advise you on how to develop your reporting to best meet the needs of your business, the board and external stakeholders. To discuss reporting insights for your organisation, please speak to your usual contact or one of these people:

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