



The Centre for  
**PUBLIC AGENCY  
SUSTAINABILITY REPORTING™**

# **Appendix B: Briefing Paper on Sustainability Reporting**

## **ICLEI: Local Governments for Sustainability World Congress 2006**

Support for the *Invited Workshop on Sustainability Reporting*

The Centre for Public Agency Sustainability Reporting™

**January 2006**

The following *Briefing Paper on Sustainability Reporting* is designed to act as a basic information resource for delegates to the ICLEI World Congress, specifically those attending the *Invited Workshop on Sustainability Reporting*. The aim of the paper is to provide sufficient information to delegates to enable meaningful participation in the scheduled workshop.

The paper has been prepared by The Centre for Public Agency Sustainability Reporting™ with input from the Global Reporting Initiative.

The paper is deliberately brief to enable readers to quickly understand the basic elements of sustainability reporting, its evolution, practice and issues in local government applications. For readers interested in pursuing further details, links to web resources and published papers are provided as frequently as possible throughout the paper.

For further information about the workshop, briefing paper or The Centre for Public Agency Sustainability Reporting™, please contact:

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## 1. What is sustainability reporting?

Sustainability reporting, as it has come to be expressed, is a form of reporting to the public on an organisation's non-financial performance. Indicators such as energy consumption and staff gender ratios are now joining the established suite of financial indicators that organisations include in reports.

The Global Reporting Initiative defines sustainability reporting largely through a triple bottom line (TBL) perspective (GRI 2002). That is, the inclusion of social, environmental and economic information. It is also used *synonymously with citizenship reporting, social reporting, triple-bottom-line reporting and other terms that encompass the economic, environmental, and social aspects of an organisation's performance* (GRI 2005:16).

It is estimated that 80% of FTSE 100 companies now produce sustainability or environmental reports (www.corporateregister.com as cited in CIPFA 2004:3). Governments are increasingly legislating for such public disclosures in corporate and financial laws.

More recently, governments, government agencies and government owned enterprises of all levels have started to engage with the sustainability reporting agenda. Some have produced reports and a number of jurisdictions are investigating the use of compulsory sustainability indicators across the board. The State government of New South Wales, for example, conducted a parliamentary inquiry into such reporting by the public sector with a view to including global sustainability indicators into the existing financial reporting framework.

In March 2005, the Global Reporting Initiative (GRI) launched its Public Agency Sector Supplement (PASS) as guidance for public sector reporters along with the Centre for Public Agency Sustainability Reporting.

### ***Want to know more?***

Global Reporting Initiative [www.globareporting.org](http://www.globareporting.org)  
The Centre for Public Agency Sustainability Reporting  
[www.publicagencyreporting.org](http://www.publicagencyreporting.org)

Sustainability Reporting in NSW Public Sector  
[www.parliament.nsw.gov.au/prod/parliament/committee.nsf/0/C25E8E08F367896ECA2570BC000D8705](http://www.parliament.nsw.gov.au/prod/parliament/committee.nsf/0/C25E8E08F367896ECA2570BC000D8705)

## 1.1 Increasing uptake

Sustainability reporting largely emerged in the private sector throughout the 1990s, in response to non-government organisations (NGOs) and shareholder demands for increased transparency of social and environmental impacts and performance by the corporate sector. The experiences of large, trans-national companies such as Shell, BP and Nike during this period demonstrated both the need for and benefits of such reporting.

***Want to know more?***

The Shell Report 2004

[www.shell.com/home/Framework?siteId=shellreport2004-en](http://www.shell.com/home/Framework?siteId=shellreport2004-en)

BP's Sustainability Report

[www.bp.com/downloadlisting.do?categoryId=666&contentId=2004066](http://www.bp.com/downloadlisting.do?categoryId=666&contentId=2004066)

Nike's Corporate Responsibility Reports

[www.nike.com/nikebiz/nikebiz.jhtml?page=29](http://www.nike.com/nikebiz/nikebiz.jhtml?page=29)

Although it is easy to see why large, trans-national, heavy industries such as mining and fossil fuel companies would report, the practice has now been taken up by all manner of organisations and for various reasons. Examples include:

- the so-called “softer” business sectors of **banking and finance** are primary examples as they feel the pressure from investors and customers.
- **Small to Medium Enterprises** are critical to the overall performance of the larger companies that they supply and they now feel the pressure to perform and report against non-financial parameters. Car manufacturers, such as Toyota, require key contractors to have an environmental management system.
- **Governments** and public sector authorities have legislated and regulated for such reporting in some jurisdictions but now face questions regarding their own performance on the same issues. Government owned enterprises such as water and energy utilities are primary examples which have clear drivers in the form of environmental and other risks. However, reporting activity is now expanding into more “mainstream” agencies and cities which have carriage of broader responsibilities including policy implementation.

***Want to know more?***

Sydney Water

[www.sydneywater.com.au/Publications/Reports/AnnualReport2005/](http://www.sydneywater.com.au/Publications/Reports/AnnualReport2005/)

British Columbia Hydro [www.bchydro.com/info/reports/reports853.html](http://www.bchydro.com/info/reports/reports853.html)

Department of Family and Community Services [www.facs.gov.au](http://www.facs.gov.au)

Greater Vancouver Regional District

[www.gvrd.bc.ca/sustainability/SustainabilityReport03.htm](http://www.gvrd.bc.ca/sustainability/SustainabilityReport03.htm)

## 1.2 International Frameworks: The Global Reporting Initiative (GRI)

The GRI developed as a response to the growing need and practice of reporting against non-financial performance parameters. The use of a common set of disclosures and indicators in such reporting is a powerful tool. It allows for the use of a common language, performance measurement, benchmarking over time and space and aligns with financial reporting frameworks.

The GRI framework is recognised by leaders internationally. Tony Blair, the Prime Minister of the UK, noted in 2002 that *we need to improve the information going to legislators, investors, and civil society to help improve accountability. The Global Reporting Initiative is one useful route.*

The GRI is an independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. It incorporates the active participation of representatives from business, accountancy, investment, environment, human rights, research and labour organisations from around the world. Started in 1997, GRI became independent in 2002, and is an official collaborating centre of the United Nations Environment Programme (UNEP). Today more than 700 organisations actively cite the use of the GRI in their reports.

The World Summit on Sustainable Development (WSSD) called to improve corporate social responsibility (CSR) amongst the international community, naming GRI in the *Plan of Implementation*<sup>1</sup> as a means to expand such reporting<sup>2</sup>.

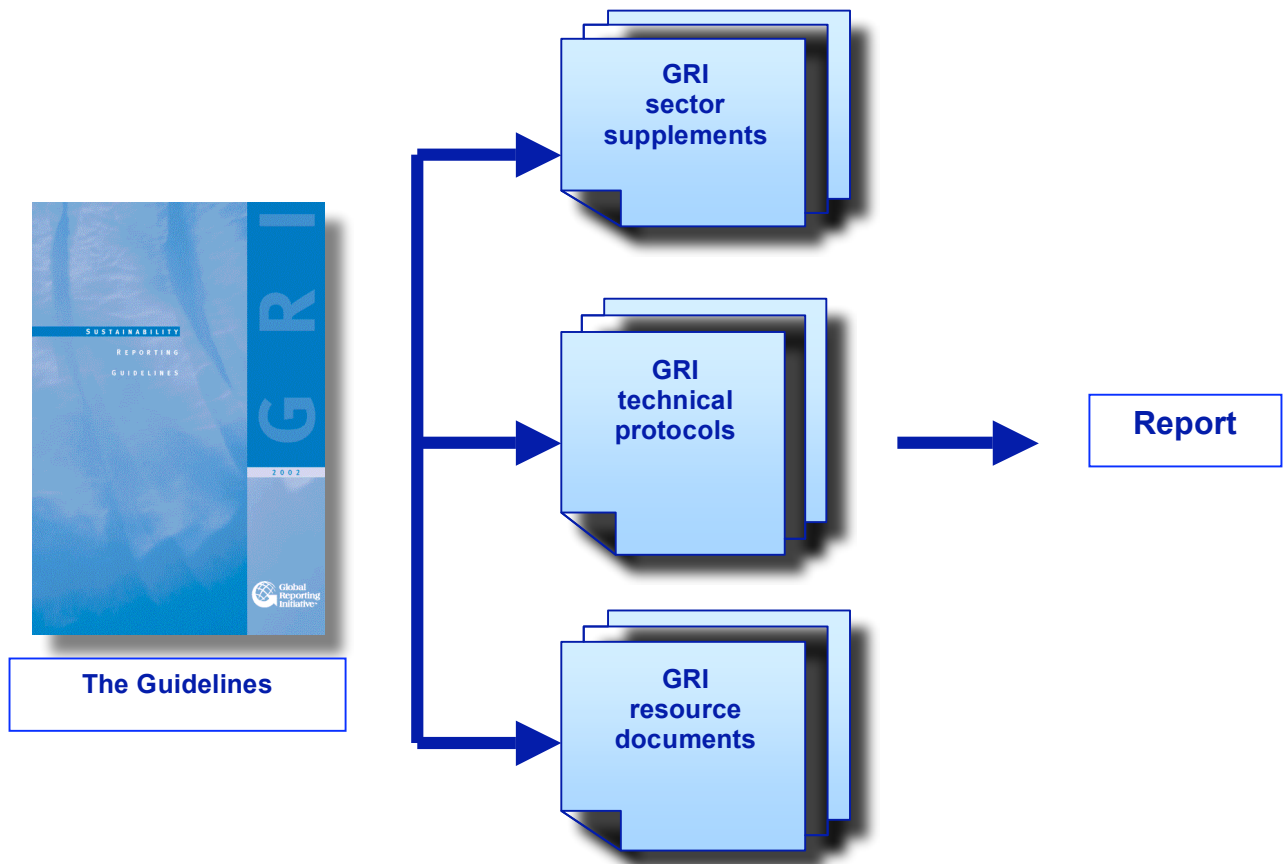
The GRI operates as a framework, consisting of a central set of *Sustainability Reporting Guidelines* (the Guidelines) which identify disclosures and performance indicators common to all organisations. Sector Supplements are developed to provide performance indicators which are important for that sector but not fully reflected in the Guidelines. Technical protocols are developed to provide further guidance on challenges such as data collection and reporting boundaries. Resource documents are also developed to support specific projects, sectors or issues in reporting. The framework is illustrated in figure 1.

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<sup>1</sup> The Plan of Implementation was an official ministerial document that was the outcome of the WSSD

<sup>2</sup> Specifically, to '...encourage industry to improve social and environmental performance through voluntary initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues, taking into account such initiatives as the International Organisation for Standardization standards and Global Reporting Initiative guidelines on sustainability reporting.' (Article 18, Plan of Implementation Report of the World Summit on Sustainable Development, United Nations September 2002)

Figure 1: The GRI Framework



### 1.2.1 Reporting as a practice

Although the practice is still relatively young, sustainability reporting consists of a number of elements. It is common practice among reporters to develop reporting strategies that clearly document these elements, time frames, how they apply to their organisations and how they will be resourced.

GRI advises the following five basic steps:

#### **One: Prepare - getting started**

The key tasks at this stage are to:

- Appoint a coordinator and reporting team;
- check the starting point (ie. what data & reporting systems do you already have?);
- Gain the support of key people;
- Discuss the 'big picture' (ie. what does sustainability mean to the organisation? What is the organisation's context?); and
- Develop a work plan.

## **Two: Plan – what to report**

The key tasks at this stage are to:

- Review your core activities & goals (ie. what is the nature of the organisation?);
- Map your stakeholders and their interests (ie. who are they are what do they want to know?);
- Identify the aspects to report on (ie. what is material to the organisation?)
- Set reporting scope (ie. how often will you report? Will all aspects be included?); and
- Set reporting boundary (ie. will subsidiaries and remote sites be included?)

## **Three: Assess – measure your performance**

The key tasks at this stage are to:

- From aspects to indicators;
- Gather information & data;
- Learn from indicators; and
- Set performance targets for future.

## **Four: Report – tell the news**

The key tasks at this stage are to:

- Check the quality of results (eg. how robust is the data you've collected?);
- Choose communication methods (eg. hard copy vs website);
- Write the report (ie. draft);
- Review internally (ie. with key people); and
- Finalise and distribute report.

## **Five: Improve – strive for more**

The key tasks at this stage are to:

- Collect feedback (ie. from all stakeholders);
- Step forward (ie. decide on a path of improvement); and
- Get recognition.

### ***Want to know more?***

GRI *High 5!* Communicating your Business Success through Sustainability Reporting

[www.globalreporting.org/workgroup/sme/intro.asp](http://www.globalreporting.org/workgroup/sme/intro.asp)

The Commonwealth Department of the Environment & Heritage has produced a “reporting diary” of its practice and experience

[www.deh.gov.au/about/tbl/diary.html](http://www.deh.gov.au/about/tbl/diary.html)



## 2. Applications in Local Government

The focus of public agencies during the 1990s was largely in facilitating and supporting the uptake of reporting by the private sector (Calder and Culverwell 2005). The clear case for such reporting by the public sector is yet to be fully articulated as it has been by the private sector. However, many of the reasons for reporting that are cited by private sector reporters translate easily into the public sector.

### 2.1 Why Report?

Depending on the sector, businesses articulate a range of factors that have driven or attracted them to sustainability reporting. The following represents a few of the reasons cited by key reporters as being benefits of reporting:

- **Knowledge of Impacts**  
Many organisations do not know of their environmental and social impacts because they do not measure or report on them.
- **Improved management of performance**  
Energy, staff absenteeism etc are costs to the public sector as well as the private sector. By measuring and reporting on such parameters, organisations are better placed to manage performance against long-term business strategies.
- **Risk and Reputation**  
Public bodies face environmental and other risks which, if not managed, can damage reputation. Cities actively foster and use their reputations to attract investment internationally.
- **Staff Attraction and Retention**  
Organisations which are seen to be “living their values” and “walking the talk” of sustainability and corporate citizenship are more likely to attract and retain staff.
- **Communication of Commitment**  
Reporting allows an organisation to “tell its sustainability story” to readers.
- **Stakeholder Engagement**  
Public reporting allows an organisation to have more meaningful dialogue with stakeholders around the issues of sustainability that are most material and to demonstrate progress.

In addition to those listed above, the public sector, and local government specifically, might also be driven by:

- **The Magnitude of Impact**  
In many communities the public sector is the largest, single employer of people. Cities are also major consumers of resources and providers of services. (Eg. The US government owns 33% of the nation's land and is its largest consumer of energy.)
- **Leadership**  
At a minimum, regulating for other sectors to report and perform without doing so yourself is an untenable position. However, the benefits of demonstrating leadership in sustainability are multiple and include the attraction of business investment and staff and the demonstration of tangible outcomes to electorates.
- **Sustainability is core business**  
The creation and implementation of sustainability policy is a core business of the public sector, including local government. Being able to monitor and report on the real outcomes of such policies is a powerful potential.
- **Alignment of vision with strategy and performance**  
Reporting allows an agency or city to fully align its long-term vision and strategy with a means of monitoring and feedback on progress against that vision. This is a valuable practice that is rarely seen.

### **2.1.1 Two examples from Australia: The Commonwealth Department of the Environment and Heritage and The Commonwealth Department of Family & Community Services**

The Department of the Environment and Heritage, Australia said *our first TBL Report is part of our commitment to continuously improve the sustainability of our operations. It is also consistent with our position of encouraging other organisations to report.*

The Department also claimed the following benefits of producing the report:

- communicating to our staff and stakeholders what we are doing to improve our sustainability performance;
- driving improvements in environmental, social and economic outcomes;
- improved risk management;
- benchmarking our performance against other organizations; and
- showing, by example, how to improve the sustainability of operations

Many readers would understand such drivers and how they apply to an environmental agency. However, departments with economic and social mandates seem less inclined to be early adopters of the practice at this stage.

The Department of Family & Community Services (FaCS) develops and implements policies that promote the wellbeing of individuals, families and communities. In its sustainability report, FaCS claimed, *we recognise that our contribution can and should extend beyond our policies to the way we do business. This recognition is reflected in how we work within the organisation and in the relationships and partnerships we have with our clients, service providers and stakeholders.*

***Want to know more?***

Department of Family and Community Services [www.facs.gov.au](http://www.facs.gov.au)

Department of the Environment and Heritage

[www.deh.gov.au](http://www.deh.gov.au)

## **2.2 GRI and the Public Sector**

In March 2005, the GRI released the first version of a Public Agency Sector Supplement (PASS) which is now available for use by public authorities.

The PASS includes a small number of new disclosures for public sector reporters. However, the most significant disclosures are on the performance of public policy. In addition to the corporate performance disclosures of the Guidelines, the PASS asks reporters to disclose:

- Their definition of sustainable development and any principles used to guide sustainable development policies;
- Aspects for which the organisation has established sustainable development policies;
- Any specific goals associated with such policies and the process by which they were set;
- For each goal, the implementation measures undertaken, indicators and continuous improvement actions; and
- The role of stakeholders in respect of the above.

The PASS is currently being used as a “first version”. It is the intention of GRI and the Centre to seek feedback on its content as well as the applicability of the GRI framework to local government applications. This represents a unique opportunity to influence the shape of such reporting for local government and the public sector generally as it evolves internationally.

## **2.3 Uptake by the Public Sector**

In 2005, The Centre for Public Agency Sustainability Reporting™ distributed internationally a survey on the practice of sustainability reporting in the public sector. The purpose of the survey was to gather information on the uptake and form of such reporting. To download the full report, refer to [www.publicagencyreporting.org](http://www.publicagencyreporting.org)

The survey was completed by 82 public authorities and found that:

- The monitoring of performance was most commonly cited as the reason for reporting;
- Reporting practices tended to be internally driven;
- 70% of respondents had an awareness of GRI and 50% had referenced it in their reports;
- Only 40% of respondents noted that their report included disclosures on public policy; and
- 68% of respondents nominated a commitment to sustainability reporting in the future.

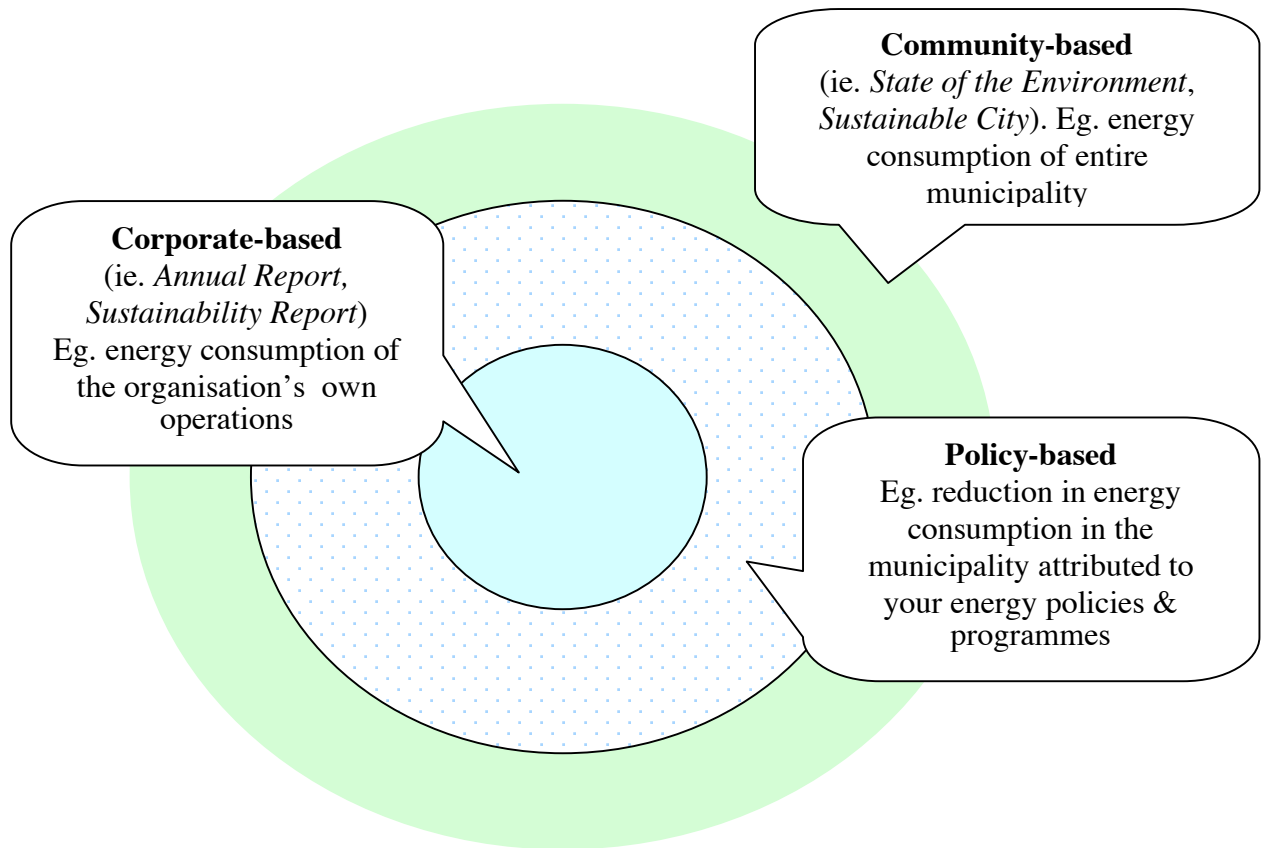
Local governments were less likely to have heard of or referenced the GRI framework and were less likely to pursue such reporting through their annual reporting framework.

A key issue for sustainability reporting by the public sector is the boundary of such reporting compared with community-wide reporting such as State of the Environment Reporting (SoE) and other projects on community sustainability indicators<sup>3</sup>. In some jurisdictions, SoE reporting by local governments is mandatory while larger cities use community-wide sustainability indicators to measure progress. Some local authorities, namely Gosford Council in Australia, have begun to expand their SoE reports to include broader economic and social data, thereby re-branding their report as a Sustainability Report.

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<sup>3</sup> “Sustainable Seattle” is a primary and early example of such a program [www.sustainableseattle.org](http://www.sustainableseattle.org)

Figure 2: The GRI's initial representation of public sector reporting on sustainability



### 3. The Invited Workshop: Issues for Local Government

The translation of sustainability reporting into practical use by local governments presents a number of questions. Some of these issues will form the focus of the *Invited Workshop on Sustainability Reporting* at the upcoming ICLEI World Congress 2006. Participants in the workshop are expected to have an awareness of these issues as they relate to their city and be able to discuss them.

The *Invited Workshop on Sustainability Reporting* will examine sustainability reporting broadly but will also focus on the use and application of the GRI to local government. Two key objectives of the workshop are:

- to gather information on local government impressions of sustainability reporting; and
- to gain advice and direction on the types of tools, guidance and support local governments may need in order to undertake such reporting.

### **3.1 Reporting Boundaries: Corporate Vs Community**

Sustainability reporting, as it is currently defined and practiced, is synonymous with corporate reporting. However, if sustainability reporting does in fact “encompass the economic, environmental, and social aspects of an organisation’s performance” then that performance examined from a whole of community perspective must also be truly powerful and meaningful.

The complete reconciliation of “corporate-based” sustainability reporting (represented by GRI) with the broader reporting that the public sector is more accustomed to (represented by SoE and community indicators) will occupy debate internationally. More progressive and leading cities will respond with innovations in such reporting and help to drive this debate further.

One of the aims of The Centre for Public Agency Sustainability Reporting™ is to work toward that reconciliation through:

- discussions with cities leading reporting practice;
- the development of tools and discussion materials; and
- a close working relationship with both GRI and public sector participants.

### **3.2 Reporting using the GRI Framework**

The workshop will focus on a number of questions, including:

#### **Why report?**

- What is the case for local governments to report?
- How can such reporting be reconciled with other reporting requirements?

#### **What to report?**

- What should be reported? How do you know what is important to report?
- Who is the audience of your report?
- What is the reporting scope and boundary?

#### **How to report?**

- How to get organised for reporting?
- What constitutes “best practice” in reporting and “continuous improvement” approach?
- How can reporting facilitate change?

## Bibliography

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CIPFA, The Chartered Institute of Public Finance and Accountancy (2004) *Advancing sustainability Accounting and Reporting: An Agenda for Public Service Organisations*. CIPFA, London [www.cipfa.org.uk/shop](http://www.cipfa.org.uk/shop) accessed on May 20, 2005

GRI (2005) *Sector Supplement for Public Agencies Pilot Version 1.0* Global Reporting Initiative. Amsterdam.

## Glossary

### Corporate-based

**reporting:** Refers to reporting on an organisation's own operations (eg. the energy consumption of the local government as a legal entity or city government)

### Policy-based reporting:

Refers to reporting on the performance of the organisation's policies and programmes in sustainable development. (eg. the cumulative energy savings resulting from the implementation of the city's energy policy)

### Community-based reporting:

Refers to reporting on the entire city's performance (eg. energy consumption of the entire jurisdiction). Similar in boundary to State of the Environment Reporting.

### Indicator:

A measure of performance, either qualitative or quantitative

### Stakeholder:

Anyone with an interest (stake) in an organisation. For the public sector this may include: elected officials, other tiers of government, tax payers, clients, general public, visitors, businesses, NGOs and employees.