Public sector sustainability reporting: time to step it up

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About CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the only professional accountancy body in the world exclusively dedicated to public finance. We were a founder member of the International Federation of Accountants (IFAC), the International Accounting Standards Board (IASB) and Accountancy Europe. We are a registered UK charity with a UK Royal Charter. CIPFA exists for the public good — it's our guiding principle.

We work closely with international bodies including the UN, World Bank, European Commission and the UK Department for International Development, as well as government ministries, technical development partners and public accounting organisations across the globe. Our aim is to advance the field of public financial management and promote best practice throughout the global public sector.

Our 14,000 members work in central and local government, national audit agencies, healthcare, the police, universities and other public agencies and public sector bodies. They are located in the UK, Australia, Canada, Ireland, Switzerland and the United States.

CIPFA published Evolving climate accountability: a global review of public sector environmental reporting in 2021 and Producing a Sustainability Report in 2013.

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Carol is immediate past Chair of the GRI (Global Reporting Initiative) Stakeholder Council (she was a member from 2013–2019). She was a member of the Climate Disclosure Standards Board's (CDSB) Technical Working Group (2014–2021) and the International Integrated Reporting Council (IIRC) Capitals Collaboration Group (2012–2013). She served as a technical expert in the development of the United Nations Development Programme SDG Impact Standards (2020–2021) and was project advisor to the UK government's Implementation Taskforce on Impact Investing during this period. She co-authored the Capitals Background Paper for <IR> and is author of The Sustainable Development Goals, integrated thinking and the integrated report and the SDGD Recommendations. She has advised major organisations on sustainability and integrated reporting. Carol also writes on her website at drcaroladams.net.

Abbreviations

CIPFA	Chartered Institute of Public Finance and Accountancy
EFRAG	European Financial Reporting Advisory Group
EC	European Commission
ECA	European Court of Auditors
ED	Exposure Draft
ESG	Environmental, social and governance
EU	European Union
GHG	Greenhouse gas
GRI	Global Reporting Initiative
GSSB	Global Sustainability Standards Board
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
ICAS	Institute of Chartered Accountants of Scotland
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
IPSASB	International Public Sector Accounting Standards Board
IRF	Integrated Reporting Framework
ISSB	International Sustainability Standards Board
NAO	National Audit Office
OECD	Organisation for Economic Co-operation and Development
RPG	Recommended practice guidelines
SAI	Supreme audit institution
SDGD	Sustainable Development Goals Disclosure (Recommendations)
SDGs	Sustainable Development Goals
SOE	State-owned enterprise
TCFD	Task Force on Climate-related Financial Disclosures
UN	United Nations
UNDP	United Nations Development Programme

Foreword

We are at an unprecedented moment in time for the future of our planet. The public sector must therefore be bold and take the chance to lead change and actively set the course towards a more sustainable future. It is, indeed, time to step it up.

This is why the time is right for sustainability reporting, because when we make the invisible visible it allows us to benchmark and establish a baseline, so that we can carry out due diligence and make decisions that have a positive impact.

For almost 140 years, CIPFA has been a clear and impartial voice of fact and reason supporting the public sector and public financial management profession – a partner to trust irrespective of how the tide may turn – and with the publication of *Public sector sustainability reporting: time to step it up*, we will continue that tradition.

This guidance gives an overview and background on sustainability reporting, as well as functioning as a blueprint and roadmap, providing a hands-on, practical approach to reporting needs. Using existing global standards and frameworks, we highlight how improvement in reporting mechanisms can lead to positive outcomes, lay out the key steps for planning and preparing reports and set the scene for any future sustainability reporting that needs to be done.

We cannot work in isolation, and CIPFA would like to issue a formal thank you to our trusted partner organisation ICAS for officially endorsing this publication and supporting our work to introduce sustainability reporting to a wider audience.

Iain Murray
Director of Public Financial Management, CIPFA

ICAS

Executive summary

This report is aimed at preparers of sustainability disclosures and reports and policy makers.

Public sector sustainability reporting needs to significantly step up. In the context of pressing and inter-connected sustainable development issues and national government commitments to address them, there is a need for transparency that will facilitate further action. Better access to information on management approach, strategy and governance oversight and consistent data on public sector organisations' impacts, policies and programmes are the foundation for this. Such information shows where progress is being made, informs public-private partnerships and reveals the contributions of different actors to positive and negative social, economic and environmental impacts. This transparency leads to greater stakeholder trust.

A multitude of guidelines and requirements have been developed for specific organisations, subsectors within the public sector, and for different local government areas or states, even within the same country. This is inefficient. Many of these require disclosure of indicators and information that is a subset of those required by the GRI Standards but with no consideration given to national, let alone global, consistency. This report makes a case for that consistency to assist national governments in meeting their commitments to the United Nations (UN) SDGs, the Paris Agreement, the United Nations Guiding Principles (on Business and Human Rights) and their citizens.

This report discusses these issues in the context of research, highlighting the inadequacy of current public sector sustainability reporting.

Information collected through the sustainability reporting process is essential in decision making to minimise negative impacts, promote positive impacts and create value for economies, society and the environment. It is critical to efficient resource allocation.

This report sets out key steps to assist organisations in planning and preparing their reports and developing a strategy for further improvements in their reporting. The use of existing global standards and frameworks is encouraged. This report highlights how reporting can be further improved through additional disclosures that encourage sustainable development thinking and action.

The report encourages policy influencers and regulators to consider the use of GRI Standards for impact reporting rather than developing new metrics for the same topics. It encourages public sector organisations to work towards reporting in accordance with them and identifies steps to follow to build on this base, using other global standards and frameworks in a complementary way. **The report notes the importance of disclosures on governance, management approach, strategy, performance and targets in facilitating change and maximising the ability of public sector organisations to create value for themselves, economies, society and the environment.**

The report provides the context for accounting and finance professionals to determine where to use their skills to assist their organisations in providing better information and making more informed decisions.

Contents

The public sector and sustainability

1.1 Audience for this guidance, aims and background

There are three key audiences for this guidance.

1. **Public sector bodies[1] and their regulators around the world** can use this guidance to develop reporting practice in a manner that is consistent with achieving organisational change to make a positive contribution to sustainable development. For example, this guidance might assist organisational change and make a positive contribution to sustainable development through a refocus on strategy, budget allocation, policy goals and programme design. This would assist national governments in fulfilling the commitments they made in 2015 to the **UN SDGs**.

2. **Public sector accounting and finance professionals** can use this guidance to determine where they can use their skills concerning data integrity, internal controls, internal audit, external assurance and data provision for decision making to assist **sustainability reporting professionals.** Together these functions can enhance the organisation's reporting and performance.

3. **National and global policy influencers and regulators** can use the contextual information in this report to advocate for and develop guidance or regulation appropriate to public sector organisations and specific regions. Bodies that might draw on it include the following:

   - European Commission (EC)
   - Global Reporting Initiative (GRI)
   - International Monetary Fund (IMF)
   - International Public Sector Sustainability Accounting Standards Board (IPSASB)
   - International Sustainability Standards Board (ISSB) and the IFRS Foundation
   - National regulators such as the UK Treasury
   - Organisation for Economic Co-operation and Development (OECD)
   - SAIs/national audit offices (NAOs)
   - United Nations (UN) and the World Bank
   - Other bodies seeking to align public sector finance with the SDGs.

The context of the public sector differs across countries, including, for example, national politics and political agendas, the structure and governance of public sector bodies, human, technological and financial resource availability, skills levels, and the nature of the most pressing sustainable development issues. As such, **this guidance is principles based and draws on frameworks and standards that have been developed with global input**.

1 The public sector bodies and organisations include local, regional and central governments, public agencies or authorities, the public education sector (state schools, colleges, universities), the health sector, housing and (in some countries) utilities.

Aims of this report

1. Assist public sector **sustainability report preparers** in further developing their public disclosures (regardless of their current stage of development).
2. Assist public sector **accounting and finance professionals** in understanding the sustainable development context in which their organisation operates and identify where they can:

   a) assist their organisation's sustainability performance and reporting functions

   b) enhance information provision to decision makers, and

   c) make more informed decisions concerning resource allocation.
3. Assist **policy makers** in developing sustainability reporting requirements, standards and guidance appropriate for the public sector.
4. Inform **readers** of this guidance about the current state of public sector sustainability reporting and the drivers for greater accountability and transparency.

This report updates the guidance in CIPFA's 2013 publication Producing a Sustainability Report, which set out the:

- **why,** ie the case for public sector organisations to undertake sustainability reporting
- **what,** ie detailed guidance on the content of a sustainability report, including:
  - environmental issues, particularly emissions, energy, waste and water
  - social issues, particularly information about the workforce, including the number of women, ethnic minorities and disabled employees, health and safety performance, social/community investment and stakeholder satisfaction, and
  - governance issues, including the composition of the governing body, training provided and the costs of servicing governing bodies
- **how,** ie disclosures concerning the integration of sustainability into strategy, action and services, and management of the sustainability impacts of products and services.

There are now well-established global standards and frameworks that have been through consultation processes, which have developed considerably since the publication of CIPFA's 2013 publication. Rather than setting out another new approach, this guidance draws on these while acknowledging that this is a dynamic area, with GRI, IPSASB and ISSB having ongoing work programmes, for example. These standards and frameworks cover different parts of the disclosures and approaches recommended in this report. Additional issues not covered in the 2013 report that have more recently received attention from reporters and their stakeholders include:

- organisations' impacts (positive or negative) on contributions to the UN SDGs and plans to enhance such contributions
- the impact of sustainable development risks and opportunities on a reporting organisation's strategy
- the financial implications of sustainable development risks and opportunities to the reporting organisation
- the impact of policy and programmes on sustainable development.

1.2 Global sustainability agreements

National governments around the world have signed up to various global initiatives aimed at contributing to the achievement of sustainable development and preventing catastrophic consequences for future generations. These include:

- the United Nations Sustainable Development Goals (SDGs) (United Nations, 2015a)
- the Paris Agreement (United Nations, 2015b)
- the UN Guiding Principles (on Business and Human Rights) (United Nations, 2011).

All parts of the public sector need to act if national governments are to fulfil their responsibilities under these agreements. Monitoring and managing performance against these agreements requires appropriate accountability and governance systems at all levels of government and by public agencies.

The SDGs were adopted by 193 nations at the UN Summit in 2015. While not legally binding, countries are expected to conduct voluntary national reviews on their efforts to contribute to the achievement of the 17 goals, including strengthening government institutions, mobilising multi-stakeholder support and developing partnerships and policies (United Nations, 2022).

The Paris Agreement was adopted by 196 parties at COP 21 in Paris in 2015. It is a legally binding treaty aimed at limiting global warming to well below two degrees Celsius compared to pre-industrial levels. Governments have committed to "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development" (United Nations, 2015b, Article 2.1c).

As a result of the Paris Agreement, 139 national governments have committed to achieving 'net zero' greenhouse gas emissions.[2] In Scotland, the net zero target date is 2045, and in the European Union it is 2050.

The UK government estimates that 2% of all UK emissions come from public sector buildings. Full compliance with emissions reporting in HM Treasury's sustainability reporting guidance[3] in 2018/19 was found to be low (National Audit Office, 2022). In addition to setting a legally binding target of net zero

2 Up-to-date status information is available at zerotracker.net.

3 The guidance was first published in 2013 and is updated annually. The current guidance for 2022/23 was published on 15 December 2022.

greenhouse gas emissions by 2050, the European Climate Law sets out a binding target for 2030 of a domestic reduction in net greenhouse gas emissions of at least 55% compared to 1990 levels.

The UN Guiding Principles aim to ensure states and companies work to prevent, address and remedy human rights abuses committed in business operations. The guidelines call upon states to set out their expectations that business enterprises, including those that are state-owned or controlled, respect human rights through laws, policies, guidance and enforcement. States should require agencies interacting with business enterprises, including through the purchase of goods and services, to conduct human rights due diligence. Since their agreement, corporate reporting on human rights policies, practices and breaches has increased.

In February 2022, a draft European directive was released to address human rights and environmental impacts in value chains, which will apply to large companies (European Commission, 2022). It establishes a corporate due diligence duty, including a duty to account for negative human rights and environmental impacts. Certain companies will also need to have a strategy to limit global warming to 1.5°C in line with the Paris Agreement.

The GRI Standards were revised in 2021 to assist states with these commitments by making human rights a topic all organisations must disclose on (GRI, 2021). It is no longer left to organisations to decide whether human rights is material for them. All organisations are required to state whether they have a commitment to human rights, the human rights that commitment covers, groups considered vulnerable, and the level at which policy commitments were approved. Links must be provided to policy commitments or an explanation given if not publicly available. The extent to which the policy applies to the organisation's activities and business relationships must be disclosed, along with how it is communicated to relevant stakeholders and a description of how such policies are embedded. Human rights issues can be significant for public sector supply chains.

1.3 The impact of megatrends on the public sector

KPMG (2021) and Naughtin et al (2022) identified four geopolitical megatrends:

1. Structural shifts in global economic and political power.
2. Citizen anger and activism about inequality facilitated by leaders seeking to intensify social rifts.
3. The tech, digital and cyber industrial revolution.
4. Climate change and its implications for other sustainable development issues, including inequality.

In their report published by the Australian-based Commonwealth Scientific and Industrial Research Organisation (CSIRO), Naughtin et al (2022) added the following:

- Health and increases in healthcare expenditure as populations grow and new health challenges such as pandemics emerge.
- Increased pressure on natural resources and increasing innovation as more of the population shifts to higher income levels.

Just as climate change affects a range of other sustainable development issues such as food security, water security, energy security, deforestation, biodiversity, poverty and inequality, these geopolitical megatrends are interconnected. Shifts in global, economic and political power have implications for responses to climate change. Russia's invasion of Ukraine brought questions on food security, energy security and fossil fuel dependence to the fore. Citizens' anger and activism point to the need for increased accountability and action. Digital technologies aid accountability and the aggregation of information across the public sector.

In Sovereign Climate and Nature Reporting: Proposal for a Risks and Opportunities Disclosure Framework (2022), the World Bank argued that climate change and ecosystem loss raise the cost of capital and are critical in assessing sovereign risk on a country-by-country basis. It proposed a sovereign-specific climate and nature reporting framework "to produce comprehensive, regular, standardized, and, eventually, forward-looking disclosures of their climate- and nature-related risks and opportunities." The World Bank envisages this will place a value on a country's natural assets through natural capital accounting. It considers this to be useful information for a reasonable investor favouring a "double materiality"[4] approach, pointing to the EU approach as an example. IPSASB (2022a) consulted on accounting for natural resources and related disclosure.

Another risk to public sector costs and assets arising from climate change is damage to infrastructure. This is particularly true in coastal areas, where scenario analysis is particularly important and is a more general issue as floods and higher temperatures increase costs.

Sustainable development issues are interrelated and complex. The success of governments and their public sector organisations in addressing them is critical to citizen wellbeing and economic success.

4 See Adams et al (2021) published by the GRI for a discussion of research related to the double materiality approach.

The nature of public sector sustainability reporting

2.1 The audience for public sector sustainability reporting

The key audiences for public sector sustainability reporting as identified within public sector sustainability reports are:

- the general public, local communities and society at large
- national governments and local authorities
- SAIs
- financial institutions
- civil society organisations and business/ industry associations.

These stakeholders expect public sector agencies and organisations to be held accountable to government or Parliament and hence to citizens. Although generally not mentioned as an audience within reports, a survey conducted by CIPFA in 2021 found that 37% of public sector sustainability reporters identified senior management as the primary user. The general public was identified as the primary user by 44% of respondents, reflecting the public sector's role in promoting the wellbeing of citizens and their environment.

Nineteen percent of respondents identified Parliaments or governing bodies as the primary user. The focus on management and governing body use of public sector sustainability reports is reflected in the most cited benefits of sustainability reporting being for management. These benefits include a greater awareness of impact on the climate and the environment, better visibility of social and environmental issues and better environmental outcomes. This highlights the role of public sector sustainability reporting in improving decision making, including with respect to policies and programmes.

2.2 The scope of public sector sustainability reporting

Change within the public sector is critical to fulfilling commitments by national governments and addressing megatrends. Such change is effected through operational practices, policies, programmes and service delivery.

Accountability can also drive positive change. Sustainability reporting frameworks and standards are a continuous reminder of desired outcomes with respect to sustainable development and climate change goals. They can make visible measures that are critical to achieving sustainable development and limiting global warming. In addition to facilitating contribution to sustainable development, sustainability reporting can also bring benefits to organisations. For example, the World Bank (2022) argues that providing information on the value of natural assets and climate risks will reduce the cost of capital and provide information relevant to policy making and decision making regarding resource allocation. It can assist in recruitment as people seek employment in organisations that reflect their personal values.

However, sustainability reporting frameworks can also have unintended consequences, and it is incumbent on policy makers and reporting organisations to consider these. For example, the World Bank (2022) raises the possibility of capital flight from emerging markets with a higher exposure to climate and nature risk, leading to increased financing costs. Furthermore, voluntary frameworks and/or a focus on financial materiality can be used to give the appearance of accountability, while negative impacts remain undisclosed.[5]

Three types of public sector sustainability measurements were identified by GRI (2004):

- **Operational impacts**
- **Policy effectiveness**
- **The state of economic, environmental and social conditions in areas under their jurisdiction.**

To this we might now add programme outcomes and data required to monitor performance against the SDGs. There is now also a recognition of the risks and opportunities presented by sustainable development trends that have implications for ***strategies to create value*** for the organisation, its stakeholders, lenders, public-private partnerships and society more broadly. These strategies are implemented through policies and programmes.

Figure 2.1 indicates the approach to public sector sustainability reporting taken in this report. It covers the following matters:

1. Reporting on **management approach** to stakeholder inclusiveness, identifying material impacts, risks and opportunities, selecting targets, developing policy and determining material issues (related to **operational impacts**, **policy effectiveness** and **strategies to create value**).

2. Reporting on risks, opportunities, and their implications for **strategy** to create value for the organisation, stakeholders, lenders, public-private partnerships and society (related to **policy effectiveness, strategies to create value** and **the state of economic, environmental, and social conditions in areas under their jurisdiction**).

3. Reporting on **performance and targets** in the public sector may relate to i) operational impacts on economies, society and the environment, ii) the state of economic, social and environmental conditions in areas under their jurisdiction where relevant, and iii) policy effectiveness and/or programme outcomes (**operational impacts**, **the**

5 This is an area of substantial academic research. For example, see Adams (2004), Boiral (2016) and Contrafatto and Burns (2013).

state of economic, environmental, and social conditions in areas under their jurisdiction and policy effectiveness).[6]

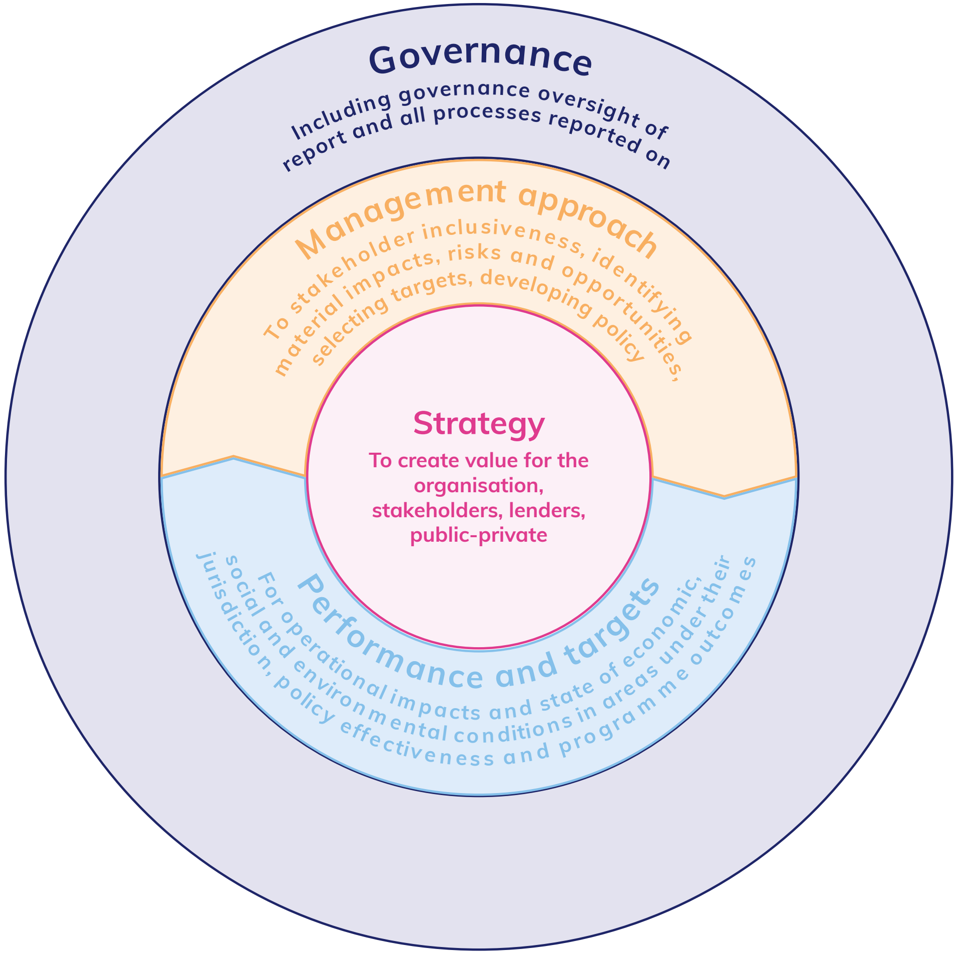
4. Reporting on **governance** oversight of management approach, strategy (including policy effectiveness and programme outcomes) and sustainability performance and targets.

This grouping follows the SDGD Recommendations (Adams et al, 2020) adopted in the UNDP SDG Impact Standards. It draws in the TCFD recommendations and the GRI Standards. A similar grouping was proposed by IPSASB (2022b).

Approaches to performance and targets in these standards and frameworks do not address matters that are specific to particular public sector bodies and jurisdictions. An example would be the development of performance and targets to cover the state of economic, social and environmental conditions under the jurisdiction of local government authorities, policy effectiveness and outcomes of major programmes. Indeed, across all the reporting themes in Figure 2.1, there are differences across types of public sector organisations and across regions that will become apparent as reporting develops.

6 In contrast, the term 'performance reporting' in common use in the public sector tends to refer to programme performance that informs budgeting decisions. In this case, 'performance' may or may not include performance related to sustainability matters (see OECD, 2018).

Figure 2.1 Themes for public sector sustainability reporting content



Source: Adapted from the SDGD Recommendations (Adams et al, 2020).

Figure 2.2 shows different areas of public sector performance and target reporting that do, or should, incorporate sustainability measures. Reporting on the impact of operations is a good starting point. For state-owned companies like utilities, oil and gas, transport and healthcare providers, it will be central to sustainability reporting, and there will be considerable overlap on the nature of impact information required by stakeholders with their private sector counterparts. Thus, GRI's sector standards apply to both privately owned and state-owned organisations, with specific mention of state-owned enterprises where relevant. For example, GRI 11, the sector standard for the oil and gas sector, states:

State-owned enterprises (SOEs) face specific challenges in relation to corruption because they may have less effective internal controls and be subject to partial independent oversight. In addition to driving profit, SOEs may also pursue broader objectives such as community development.

In such cases, state-owned organisations may choose to provide additional information or be required to by law. For other types of public sector organisations, there may be no private sector equivalent – for example, emergency services, local government, cities, etc. The Swedish government has placed the responsibility for state-owned companies presenting a sustainability report compliant with GRI on their boards since 2008 (Regeringskansliet, 2008). The European Court of Auditors (2019) notes that this applies to 47 organisations with a combined value of €53.3bn that are also required to identify which of the SDGs they have an impact on and contribute to.

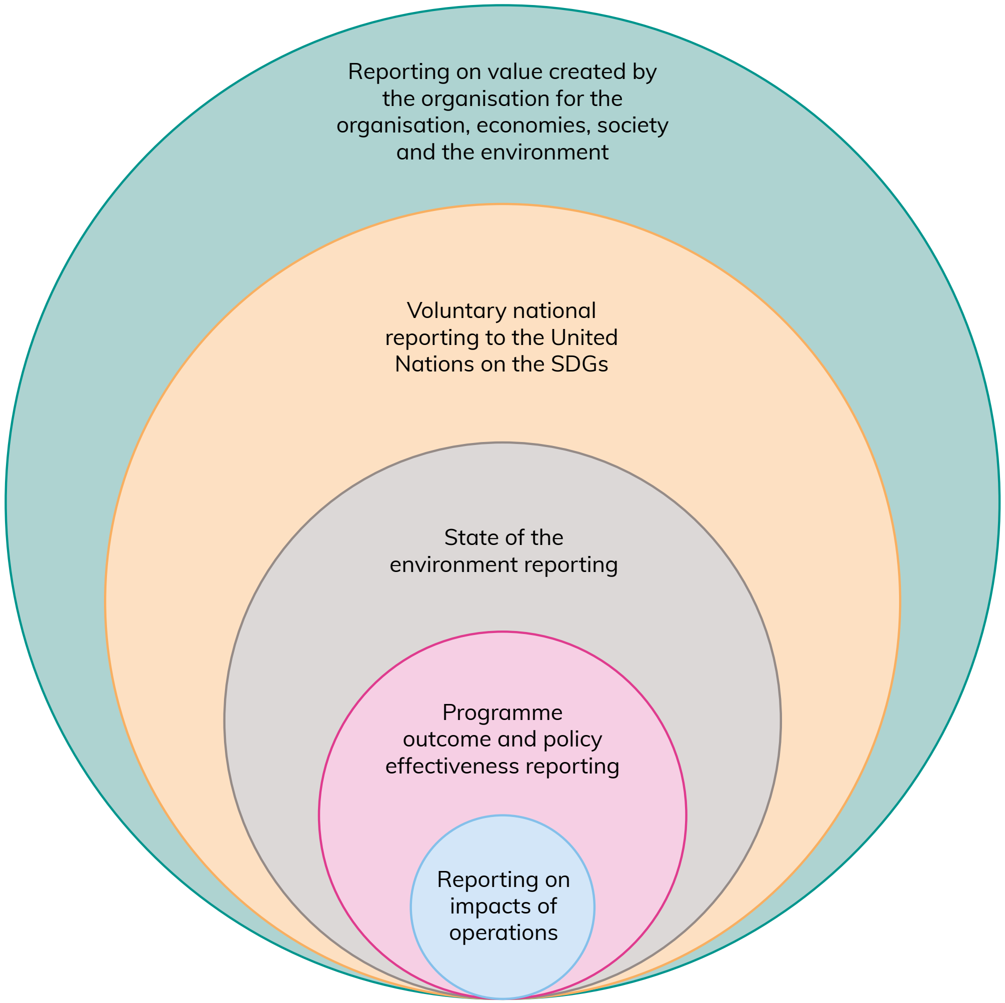
Relevant to the transition to sustainable development, the World Bank (2022) expressed concern about information gaps identified in current sustainability reporting standards and frameworks concerning sovereign funds: public sector investments, the issuance of sovereign and sub-sovereign bonds, the investments of public pension funds and international development finance. Similar deficiencies can be identified where relevant in the disclosures of private sector pension funds and asset managers. Reporting for this sector should cover both the inner and outer circles as shown in Figure 2.2.

As the circles in Figure 2.2 get bigger, reporting on the matters in them requires more information that builds on, or is informed by, the information gathered by reporting in the previous circles. For example, many of the measures used to report on the impacts of operations will be relevant to assessing policy effectiveness and programme outcomes, with additional measures being added as appropriate for the specific policy or programme.

Policies, programmes and an organisation's impacts influence the state of the environment[7] and outcomes reported to the United Nations on the SDGs through voluntary national reports. Consistency in the calculation of indicators used in reporting facilitates the meaningful aggregation of this data. Different levels of aggregation of this information can be used to inform and report on strategies to create value for the organisation, economies, society and the environment (the largest circle in Figure 2.2). The first three circles are similar to those presented in GRI (2005).

7 State of the environment reports address the state of particular aspects of the environment or society for a regional or national jurisdiction (see Dumay et al, 2010). Examples can be found on the GOV.UK website and Australian Government website.

Figure 2.2 Spheres of public sector sustainability reporting



2.3 The state of public sector sustainability reporting: research findings

While there has been a significant amount of research into sustainability reporting in the private sector, research coverage of the public sector is limited.

Private sector sustainability reporting research is largely conducted by accounting academics and published in accounting journals, but in practice, accountants have had little involvement in the development of public sector sustainability reporting.

A survey distributed to the Director of Financial Services in Australian local government authorities found that accountants perceived their personal and professional interest in sustainable development and the extent of its integration into activities to be less than that of their employer (Williams, 2015). They considered their main contribution to sustainability reporting to be the provision of financial information and assistance with costings. Almost all respondents felt they needed upskilling in sustainability related analytical, strategic planning and reporting skills.

Public sector accounting and finance professionals are instead grounded in a culture concerned with value for money and performance reporting.

Performance reporting can include matters connected to sustainable development but often omits them. The EU budgeting framework draws on information on outputs, results and the impacts of public policies (Downes et al, 2017). It would seem reasonable to assume that social and environmental considerations will increasingly inform budgetary decisions through performance budgeting systems (OECD, 2018). In this regard, the European Commission sets out input and output 'social protection performance indicators' linked to the SDGs.

Public sector sustainability reporting is patchy and limited relative to the private sector. At a time when private sector sustainability reporting was growing, a survey of Australian[8] federal, state and territory government departments conducted in 2005 found that most failed to make use, or made limited use, of performance data to satisfy environmental goals or goals in relation to community impacts (Adams et al, 2014).

A further detailed examination of sustainability reports at different levels of government published in Australia in the same year conducted by Guthrie and Farneti (2008) revealed that only 32% of GRI requirements were addressed in all seven reports examined. Reporting on a survey conducted by the European Court of Auditors, Katharina Bryan (2021) noted that only two of 12 EU institutions and 41 EU agencies published sustainability reports. While there were fragmented disclosures covering organisational impacts on sustainability, there was no attempt to ensure all material impacts were disclosed. Furthermore, reporting did not focus on how the SDGs were integrated into strategy and policy. While most survey respondents saw the benefits of sustainability reporting (defined as in the GRI Standards)[9] as improving credibility and transparency and the identification of risks and opportunities, many had not considered implementing it and were concerned about additional workload.

Williams and Lodhia (2021) sent a survey to chief financial officers (CFOs) in all 507 local councils in Australia about the extent to which they reported in an "integrated manner". Of the 129 responses, 72% thought this type of reporting was either important or very important. Regarding the six capitals[10] in the Integrated Reporting Framework (IIRC, 2021), 30% were reporting all six, 19% were reporting five and 20% were reporting four, leaving only 31% reporting three or fewer. The key reasons for reporting on capitals (and the percentage that defined them as important or very important) were largely related to considerations of council legitimacy in the eyes of the public:

- Improving engagement with key stakeholders (88%)
- Demonstrating progress towards vision, strategy, and goals (88%)
- Improve accountability and transparency (85%)
- Improving public image/reputation (82%).

Key factors thought to be significant or very significant in hampering organisational change through integrated thinking were:

- existing systems and processes (63%)
- expertise and understanding (60%)
- funding (56%)
- adequate data (56%).

The authors concluded that organisational change was limited and levels of integrated thinking low.

Sustainability reporting by local governments: a magic tool? (2017) identifies good practices in city/local government reporting in Europe, including:

- reporting and discussion on trends over several years
- benchmarking of KPIs against averages/similar cities

8 Much of the English language research focuses on Australia.
9 "The objective of sustainability reporting using the GRI Sustainability Reporting Standards (GRI Standards) is to provide transparency on how an organization contributes or aims to contribute to sustainable development." (GRI 1).
10 Financial, human, intellectual, manufacturing, natural, and social and relationship capital.

- demonstrating links with planning systems
- long-term and short-term targets
- minimising workload through collaboration with universities
- cross-functional/department working groups
- approval of reports at council level
- short annual updates with longer multi-year reports
- seeking stakeholder feedback and tracking of media references.

Universities have been relatively proactive in demonstrating their impact on the achievement of the SDGs. This is perhaps in part due to the Times Higher Education Impact Rankings that assess universities against the SDGs across research, stewardship, outreach and teaching; however, disclosure remains limited.

Caputo et al (2021) identified sustainability reports of higher education institutions (HEIs) that are compliant with GRI Standards from the GRI database to identify which indicators were disclosed and hence considered the most relevant to the sector. The most disclosed indicators concerned information on employees and other workers (96%), values, principles, standards and norms of behaviour (93%), energy consumption (90%), and composition of the highest governance body and its committees (76%).

In terms of coverage of SDG-related themes, those with the most coverage were environmental sustainability, strategy, professional development, annual targets and student involvement. Surprisingly, given the nature of the relationships between universities, their communities, local councils and their international collaborations, Goal 17 (Partnerships for the goals) was the least disclosed.

In 2018, the Foreign Affairs, Defence and Trade (DFAT) References Committee of the Australian Senate conducted an inquiry into the UN SDGs. The public submissions made in response to the Senate inquiry's terms of reference and transcripts on the public hearings were made publicly available by the Parliament of Australia in 2019 and provide an important insight into key stakeholder views. Abhayawansa et al (2021) examined the responses to determine stakeholder views on the accountability processes needed to track a nation's progress on the SDGs and the national governance structures that can best support a value creation process aligned with achieving the SDGs. There was consensus around the need for comprehensive data identified through a multi-stakeholder collaborative process to be integrated, interactive, inclusive, standardised and publicly available. There was also consensus around the need for central national coordination, accountability at lower levels of government, and government oversight of business responses to the SDGs.

2.4 Global sustainability reporting standards and frameworks

The frameworks and standards in Table 2.1 focus on different issues. They are largely principles-based initiatives that draw on well-established principles of corporate reporting (such as consistency, timeliness, reliability, verifiability and completeness) and additional principles relevant to their particular focus. There are additional, emerging initiatives that are summarised by Accounting for Sustainability (2022).

The current and planned GRI Sector Standards are designed for and can be applied to both public and private sector organisations in a particular sector. For example, there are SOEs as well as private sector oil and gas companies, and both public and private sector healthcare and education service providers. If public sector work could be considered as comprising four key categories: services (eg healthcare and education), infrastructure development, tax raising and policy and regulation, the latter two are particularly distinct in being solely the domain of the public sector. This work is undertaken in government departments, public agencies and by different levels of government. This report examines how global sustainability reporting standards and frameworks can be applied to them. Additional reporting considerations will emerge as practice develops.

Public sector practice and policy in sustainability reporting can benefit from drawing on the global standards and frameworks detailed in Table 2.1, not least because:

- **each has been subject to consultation processes that include some or all key stakeholders of public sector bodies**
- **there are benefits to adopting approaches that are aligned to those used in private sector and third sector organisations, particularly with respect to skills transferability.**

Indeed, many local guidelines and requirements already draw on or refer to these global frameworks and standards. For example, in the UK, HM Treasury's 2021 sustainability reporting requirements for central government refer to the GRI Standards, the Integrated Reporting Framework (IRF), the TCFD recommendations and the SDGs. Over time different jurisdictions have developed guidance and requirements, many of which are a subset of the GRI Topic Standards discussed in the next chapter, with slightly different indicators. This undermines consistency and data collection at the national level – for example, for voluntary national reports on progress towards the UN SDGs.

2.4.1 GRI Standards

The GRI Standards address the impacts of organisations on the economy, society and the environment, as well as general disclosures on governance, strategy, policies, and approach to stakeholder engagement and determining material impacts. Human rights disclosures are compulsory. The focus on impacts allows assessment of an organisation's positive and negative contributions to the UN SDGs and the Paris Agreement (United Nations, 2015b). The approach used by an organisation can be applied to assess policy and programme outcomes. The GRI was founded in the late 1990s and issued its first set of guidelines in 2000. In 2016, the fourth set of guidelines (G4) were transitioned into Standards. A substantial revision was undertaken in 2021. This update brought enhanced governance disclosures, stronger guidance on materiality to enhance consistency and comparability, and an increased focus on human rights.

GRI's governance structure is modelled on financial reporting standard setters, but with multi-stakeholder input reflecting broad stakeholder interest in sustainability reporting. It comprises the Global Sustainability Standards Board (GSSB), which has sole responsibility for setting the Standards, a due process oversight committee and an independent appointments committee. The governance bodies and working groups are multi-stakeholder and have global representation.

There are three Universal Standards – GRI 1, GRI 2 and GRI 3 – that apply to all organisations.

GRI 1 sets out the reporting principles that must be followed. The principles of accuracy, balance, clarity, comparability, completeness, timeliness and verifiability will be familiar to accountants. The principle of 'sustainability context' requires that the organisation reports "information about its impacts in the wider context of sustainable development." This involves considering the ability of future generations to meet their needs, drawing on scientific consensus on the limitations of environmental resources, reporting in relation to the UN SDGs and considering societal expectations.

GRI 2 sets out required disclosures about the entity, its activities, governance structure, strategy and policies with respect to sustainable development.

GRI 3 sets out required disclosures on the process for determining and managing material topics – those where the entity has the most significant impacts on the economy, environment and people.

The 30+ Topic Standards tell organisations what and how to report on material matters, ranging from economic performance, emissions and energy to diversity and equal opportunities. These topics also feature in Sector Standards as appropriate.

2.4.2 IPSASB standards

The International Public Sector Accounting Standards Board (IPSASB) was established in 2004 to develop International Public Sector Accounting Standards (IPSASs). It is the successor to the public sector committee of the International Federation of Accountants (IFAC) established "to develop programs to improve public financial management and accountability."

In 2022, IPSASB put out a consultation paper asking whether it should set sustainability reporting standards for the public sector. In asking this question, IPSASB referenced recommended practice guidelines (RPGs) 1 and 3, Reporting on the Long-Term Sustainability of a Public Sector Entity's Finances and Reporting Service Performance Information respectively. Since then, IPSASB has consulted on revisions to RPG 1 and RPG 3 (through Exposure Draft 83), with the objective of providing guidance on reporting sustainability programme information (2022c). These guidelines do not explicitly address metrics to report on sustainability outcomes. Sustainability information and metrics aligned to those in GRI Standards on entity reporting could usefully be developed for reporting programme outcomes. This would facilitate the incorporation of sustainability considerations in decision making.

IPSASB will establish a sustainability taskforce to discuss its approach to Standards S1 and S2, to be released in 2023 by the ISSB, and its ongoing work on natural resources (2022a).

2.4.3 ISSB standards

The ISSB was established in 2021 and has issued two Exposure Drafts:

- Exposure Draft and comment letters: General Sustainability-related Disclosures (S1) (IFRS, 2022).
- Climate-related Disclosures (S2) (IFRS, 2022).

These take a financial materiality approach and are aimed at investors and providers of finance. Exposure Draft S1 is concerned with general sustainability-related financial disclosures and Exposure Draft S2 incorporates the TCFD recommendations (2017 and 2021). While the TCFD recommendations are considered here, Exposure Draft S1 is not, due to the possibility of change prior to release of the final standard and the broader audience for public sector reporting. The expected release date for S1 and S2 is June 2023.

2.4.4 Globally relevant guidance

The TCFD recommendations and SDGD Recommendations should be considered by the public sector, given national government commitments to the Paris Agreement and UN SDGs respectively.

The TCFD was established by the World Bank's Financial Sustainability Board and the recommendations were first published in 2017. They deal with climate-related financial disclosures. The TCFD recommendations have received global attention and form the basis of the IFRS S2 Exposure Draft. The SDGD Recommendations were developed following a consultation and published by the Association of Certified Chartered Accountants (ACCA), ICAS, the Chartered Accountants of Australia and New Zealand (CA ANZ), IFAC, the IIRC and the World Benchmarking Alliance. The disclosure requirements are designed to encourage action to contribute to the SDGs.

Table 2.1 Key global guidance, pronouncements and consultations that should be considered in developing public sector sustainability reports

Source	Coverage of relevance to the public sector
GRI Standards (2021)	Principles-based standards that require disclosure of: • material impacts of organisations on the economy, society and the environment • governance oversight • strategy with respect to sustainable development • relevant policies • approach to stakeholder engagement and determining material topics. Human rights disclosures are mandatory. Topic Standards cover issues addressed in global accords on climate change and the SDGs. Reporting on economic, social and environmental impacts and on accountability processes is relevant to the public sector.
GRI's resource document in support of the public agency sector supplement project (2004)	Sets out the purpose of public agency sustainability reporting and provides resources to support it. This informed the GRI pilot supplement for public agencies published in 2005 incorporating public agency specific indicators.
Integrated Reporting Framework (IRF), first published in 2013 and updated in 2021 (IIRC) (now housed by the IFRS Foundation)	Reporting requirements are concerned with enterprise value creation across six capitals. While 'enterprise value' is insufficient, the multiple capitals approach to considering context, risk and opportunities and to developing a forward-looking strategy is helpful in the public sector context. See Focusing on value creation in the public sector (CIPFA and IIRC, 2016).

Source	Coverage of relevance to the public sector
TCFD recommendations (2017 and 2021)	Recommendations for climate-related financial disclosures concerning governance, strategy, risk management and metrics and targets. Draws on the requirements of the Greenhouse Gas (GHG) Protocol for emissions disclosures. Disclosures are relevant to public sector organisations making significant long-term infrastructure investments and seeking to achieve net zero emissions.
SDGD Recommendations (2020)	Approach encompasses reporting on the organisation's impacts and material sustainable development risks and opportunities affecting long-term value creation for organisations, society and the environment (rather than financial materiality). Disclosure requirements draw on the GRI Standards, the IRF and the TCFD recommendations. Facilitates organisational change and is relevant to the public sector, given national government commitments to the SDGs.
ISSB draft standards, IFRS S1 and S2	Take a financial materiality and enterprise value approach to sustainability reporting. Considering risks and opportunities that may affect financial statements is relevant to the public sector. Most existing public sector financial indicators related to sustainability are limited to costs. Exposure Draft S2 is aligned with TCFD. S1 and S2 will be finalised in 2023.
IPSASB consultation paper on natural resources (2022a)	Considers whether natural resources should be recognised as an asset in general purpose financial statements with associate non-financial disclosures.
IPSASB consultation paper on public sector sustainability reporting (2022b)	Sought feedback on whether IPSASB should set global public sector sustainability reporting standards. A decision was taken that it should.
IPSASB RPG 1 and RPG 3 (2022c and 2022e)	RPG 3 provides guidance for programme-level reporting on the inputs, outputs and outcomes of programmes, including those related to sustainability. RPG 1 provides guidance on developing forward financial projections to reflect the long-term financial flows related to government programmes.

2.5 Guidance from local, regional and national government departments

A range of guidelines have been developed in different countries, even different states/counties, and across different parts of the public sector (see Table 2.2 for examples and discussion below). Some public sector organisations are required to disclose specific content elements by law. They are largely limited to indicators on environmental impacts, though other matters such as equal opportunities and occupational health and safety may be required to be reported to specific agencies or in the annual report by law.

Table 2.2 Public sector specific sustainability reporting initiatives

Source	Coverage
Sustainability reporting guidance 2021 to 2022 (HM Treasury)	Covers climate change, waste, resource efficiency, water and finite resource consumption, procurement, nature procurement, construction, environmental impacts of ICT and digital and green finance. It sets headline targets and subtargets against which central government bodies are expected to report.
The Living Standards Framework (New Zealand Government, 2021)	Identifies and seeks input on what matters to the people of New Zealand. This will guide 'state of the environment' style reporting by government.
Annual reporting reform 2022: discussion paper (NSW Treasury, 2022)	Proposes a principles-based annual reporting framework for public agencies with content similar to that proposed in Figure 2.1 and specific indicators on matters that are covered in the GRI Topic Standards.
Public environmental reporting guidelines (Victoria State Government, Department of Health and Human Services, 2017)	Mandatory reporting of scope 1 and 2 emissions, energy and gas consumption, water consumption, waste and recycling.
World Bank (2022) Appendix A	Provides a draft framework for sovereign climate and nature reporting on risk and opportunities using the TCFD themes of governance, strategy, risk management and metrics and targets.

2.5.1 HM Treasury, UK

HM Treasury (2021) set out 'sustainability' reporting requirements for central government bodies, including the NHS, focusing exclusively on environmental issues and related financial disclosures. It includes disclosures on efforts to achieve net zero by 2050, resource efficiency and waste, water use, procurement, ICT, voluntary reporting of scope 3 emissions, water usage and the TCFD recommendations. It encourages organisations to adopt integrated reporting, particularly by providing context concerning material issues, considering risk and incorporating sustainability considerations into strategy. Appropriate policies and procedures, systems and processes, staff skills levels and internal control systems are required, but external assurance of environmental metrics is not.

2.5.2 The healthcare sector, UK and Australia

Like many other public sector sustainability reporting guidelines, in Australia, the Victoria State Government's Department of Health and Human Services' *Public environmental reporting guidelines: Guidance for Victorian public healthcare services* (2017) focuses on greenhouse gas emissions (scopes 1 and 2 only), water, energy and waste. They also identify what they refer to as 'normalising factors' – "indicators that are used to compare (or benchmark) environmental performance over time and to allow for any changes in service delivery." These benchmarking indicators include floor space, in-patient bed days and the number of emergency presentations (for waste only).

Additional voluntary disclosures include targets, purchases of GreenPower, environmental impacts of procurement practices and transport. In other respects, there is nothing particularly unique about these guidelines, and the principles are similar to those in the GRI Standards, with a focus on the materiality of the impacts of health sector operations. The GRI Standards and the Greenhouse Gas Protocol (which the GRI Standards are aligned with) are recommended. Some large Australian health sector organisations fall under the mandatory reporting and auditing requirements of Australia's National Greenhouse and Energy Reporting Scheme (the NGER Act).

Tun and Martin set out a curriculum for UK health professionals on sustainable healthcare (Medical Schools Council, 2022), which sets out harms to health from environmental degradation and impacts of the climate and ecosystem crisis on specific medical specialisms. Their inclusion, along with matters such as social prescribing, promoting organisational change and the impacts of healthcare on the environment are indicative of areas where sustainability reporting indicators for this sector could be developed.

Summary

This chapter has provided some context and background to inform the further development of public sector sustainability reporting practice and policy. It provides evidence of:

- a lack of attention to public sector sustainability reporting by regulators, reporters and researchers
- a focus on the impact of public sector organisations, particularly on the environment
- an increase in stakeholder expectations for accountability for sustainability impacts.

The next chapter proposes an approach to considering the content of public sector sustainability reporting that is aligned with the TCFD recommendations, GRI Standards, SDGD Recommendations and integrated reporting (see Figure 2.1). It highlights its absence from extant guidance and standards of performance and targets for state of the environment reports or similar.

Concepts and principles of public sector sustainability reporting

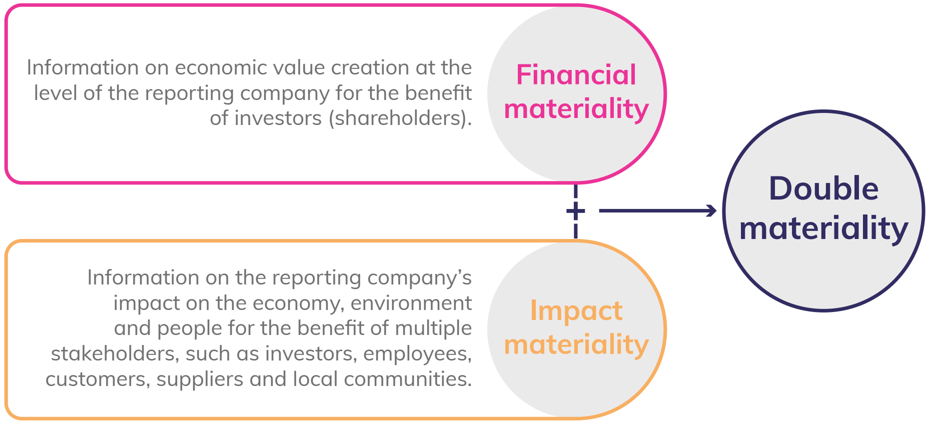
3.1 Addressing key stakeholder information needs

Public sector sustainability reporting must reflect the information needs of public sector stakeholders. It must also drive positive change in the interests of stakeholders towards sustainable development and avoid unintended negative consequences. That is, it must facilitate rather than hinder national governments in fulfilling their commitments to global sustainability agreements (see Section 1.2).

3.2 Fundamental concepts

A critical concept for public sector sustainability reporting is the approach to determining materiality issues. There has been much debate about this with respect to private sector sustainability reporting, with the IFRS Foundation favouring a financial materiality approach and both GRI and the European Financial Reporting Advisory Group favouring a double materiality approach. GRI focuses on one part of that – the impact of organisations on society and the environment, or impact materiality. Figure 3.1 explains the two components of double materiality[11] from GRI's perspective.

Figure 3.1 The components of the double materiality concept applicable to the private sector



Source: GRI (2022).

11 For a discussion of research on materiality see Adams et al (2021) and Cooper and Michelon (2022). For academic analysis of definitions of materiality in sustainability reporting, see Abhayawansa (2022), Adams and Mueller (2022) and Jørgensen et al (2022).

The nature of public sector work and the broad range of stakeholders that public sector organisations are accountable to mean that considering impact materiality is critical. Regarding the other side of double materiality, the notion of 'financial materiality' (as in Figure 3.1) is likely to be too narrow to reflect the aims of much of the public sector.

Public agencies do not set out to create financial value for themselves, nor enterprise value. An alternative for public sector agencies is to consider value creation more broadly. Several public sector organisations, including some universities, prepare integrated reports – this is encouraged by HM Treasury. These reports tend to consider value beyond but including financial value.

The SDGD Recommendations define material sustainable development information as:

> *any information that is reasonably capable of making a difference to the conclusions drawn by:*

- *stakeholders concerning the positive and negative impacts of the organisation on global achievement of the SDGs, and;*
- *providers of finance concerning the ability of the organisation to create long term value for the organisation and society.*

In the public sector, there is also a public and governance interest for accountability for spend on certain economic, social and environmental activities as defined in CIPFA's 2013 publication Producing a Sustainability Report. In Exposure Draft 81 (2022d), IPSASB proposes that in general purpose financial reports (GPFR):

> *Information is material if omitting, misstating, or obscuring it could be reasonably expected to influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity's GPFRs prepared for that accounting period. Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity.*

Considering the stakeholders of public sector organisations and the activities of public sector organisations, relevance and materiality for public sector sustainability reporting can be considered in terms of Figure 3.2.

Figures 2.2 and 3.2 together provide a framework for an organisation to think about the purposes of its reporting and the information needed to fulfil it.

The GRI Standards focus on **impact**, which they define as "the effect an organisation has or could have on the economy, environment and people, including effects on their human rights, as a result of the organization's activities or business relationships" (GRI 1). Under the GRI Standards, an organisation prioritises reporting on its most significant impacts, referring to them as **material topics** (GRI 1).

GRI 3 requires organisations to disclose their process of determining 'material topics' and how each material topic is managed. In some types of public sector organisations, these processes may be more complex relative to private sector organisations due to the diversity of stakeholder groups.

Due diligence refers to "the process through which an organization identifies, prevents, mitigates, and accounts for how it addresses its actual and potential negative impacts on the economy, environment, and people, including impacts on their human rights. The organization should address potential negative impacts through prevention or mitigation. It should address actual negative impacts through remediation in cases where the organization identifies it has caused or contributed to those impacts" (GRI 1). Creating long-term value for the organisation, economy, society and the environment requires knowledge of impacts and their management through due diligence.

Local governments, government agencies, universities, colleges, schools and the public health system consider the value they create as being both within and beyond their organisational boundary and encompassing aspects of social, environmental and economic value.

IPSASB has focused on financial accountability and is well placed to develop standards on addressing spend on economic, social and environmental activities.

3.3 Principles

Sustainability reporting shares many common principles with financial reporting. Table 3.1 sets out common principles in the GRI Sustainability Reporting Standards, the IPSASB Financial Accounting Standards and the UK Treasury's public sector sustainability reporting requirements. Table 3.2 sets out those principles specific to sustainability reporting and compares them with IPSASB's reporting guidance on information to supplement the financial statements where applicable.

Figure 3.2 The components of 'materiality' for public sector organisations

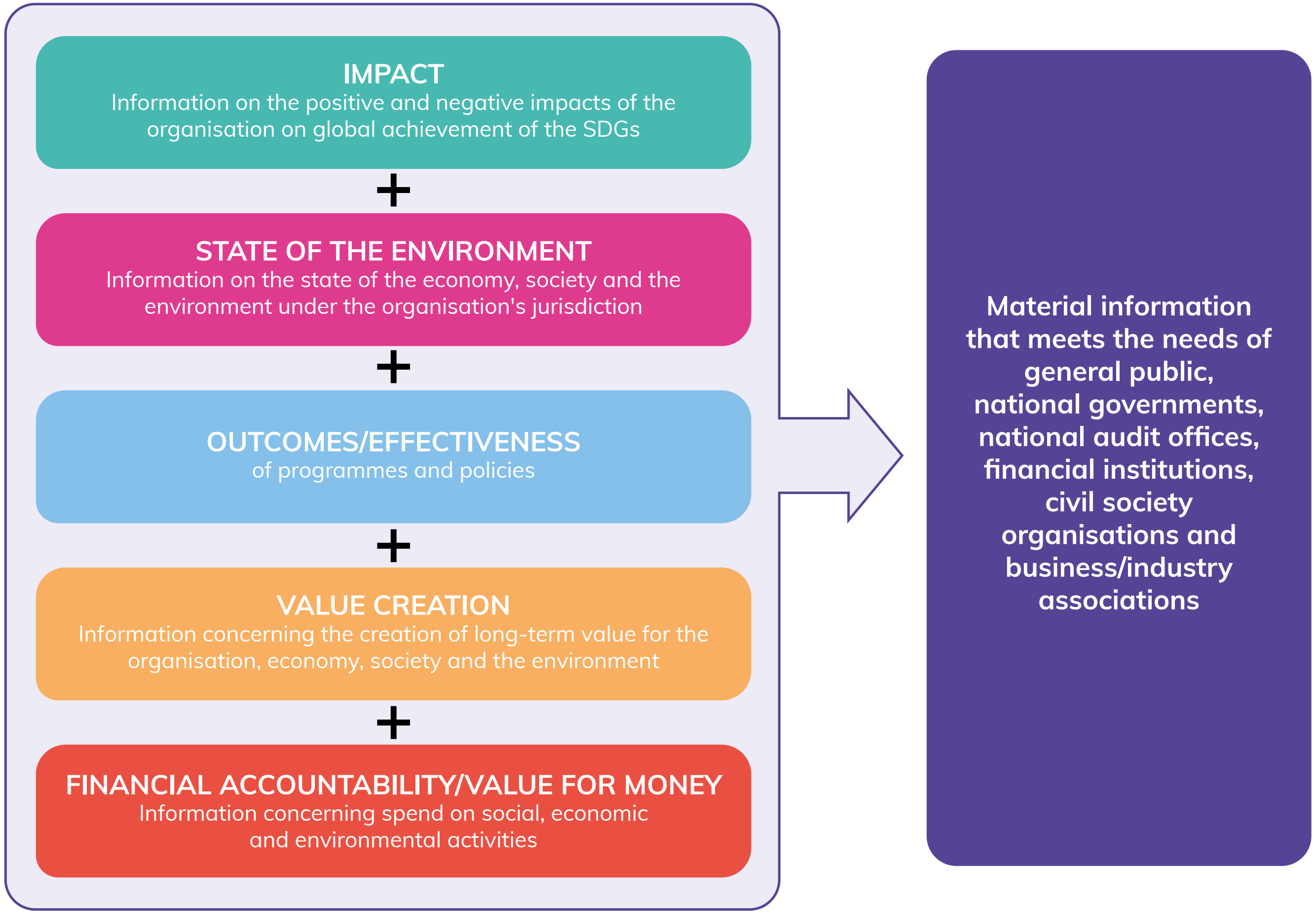


Table 3.1 Principles, characteristics and practices in frameworks/standards with commonality across financial and sustainability reporting

Principles, characteristics and practices of reporting	**GRI Standards** (2021)	**HM Treasury** (2021)	**IPSASB Standards** (2022e)	**SDGD Recommendations** (Adams et al, 2020)
Accuracy	GRI 1		IPSASB Conceptual Framework (paragraph 3.10)	Table 2
Balance/neutrality through prudence	GRI 1		IPSASB Conceptual Framework (paragraph 3.13)	Table 2
Clarity/understandability	GRI 1		IPSASB Conceptual Framework (paragraph 3.17)	Table 2
Comparability	GRI 1	Consistency of accounting treatment (paragraph 1.27).	IPSASB Conceptual Framework (paragraphs 3.21–3.25)	Table 2
Completeness	GRI 1		IPSASB Conceptual Framework (paragraph 3.10)	Table 2
Timeliness	GRI 1		IPSASB Conceptual Framework (paragraphs 3.19–3.20)	Table 2
Verifiability	GRI 1		IPSASB Conceptual Framework (paragraphs 3.26–3.21)	Table 2

Principles, characteristics and practices of reporting	**GRI Standards** (2021)	**HM Treasury** (2021)	**IPSASB Standards** (2022e)	**SDGD Recommendations** (Adams et al, 2020)
Boundary/shared facilities	Differences between the list of entities included in sustainability versus financial reporting must be stated (GRI 2.2). Organisations should report information for the same group of entities as covered in financial reporting (GRI 1).	Same as for financial reporting as far as possible (paragraph 1.22). Where facilities are shared by public sector organisations, the data split must be agreed and method documented (paragraph 1.30).	Same as for financial reporting (RPG 1, paragraph 14; RPG 2, paragraph 4; RPG 3, paragraph 27) but does not include information for its controlled entities (RPG 3, paragraph 28).	Same as for financial reporting implied plus value chain implications for sustainable development and the reporting organisations.
Accounting year	The reporting period for financial and sustainability reporting must be specified and any difference explained (GRI 2.3).	Same as financial year (paragraph 1.18).	Same as for financial statements (RPG 3, paragraph 30).	
Trend data	Fluctuations between reporting periods should be disclosed (for example, see GRI 2-7e).	Trend data (at least three years) must be provided and trends discussed (paragraphs 1.37–1.37).		

Table 3.2 Principles, characteristics and practices in frameworks/standards that are specific to sustainability reporting

Principles, characteristics and practices of reporting	**GRI Standards** (2021)	**HM Treasury** (2021)	**IPSASB Standards** (2022e)	**SDGD Recommendations** (Adams et al, 2020)
Sustainability context	Requires the organisation to report "information about its impacts in the wider context of sustainable development." (GRI 1)	Organisations are asked to explain priorities in the context of their "operational activities" (rather than sustainable development) (for example, see paragraph 4.15).	Not addressed.	"SDG Disclosures should reflect the sustainable development context of the organisation and its industry/ sector and be relevant to that context. Information on targets should be placed in the context of the targets underpinning the SDGs. An organisation's presentation of sustainable development issues should include, but go beyond, their relationship to both positive and negative performance to consider their implications for what business is done – and how business is done." (Table 1)

Principles, characteristics and practices of reporting	**GRI Standards** (2021)	**HM Treasury** (2021)	**IPSASB Standards** (2022e)	**SDGD Recommendations** (Adams et al, 2020)
Materiality	Material topics are "topics that represent the organization's most significant impacts on the economy, environment, and people, including impacts on their human rights." (GRI 3)	Reference is made to "materiality from a financial perspective" (paragraph 1.23). Its application is unclear, given the disclosures required concern impacts and inputs.	Materiality is defined in respect of information included in general purpose financial reports only, but the non-financial information concerned is one of the means of assessing materiality (see Conceptual Framework, paragraph 3.33).	"Material sustainable development information is any information that is reasonably capable of making a difference to the conclusions drawn by: • stakeholders concerning the positive and negative impacts of the organisation on global achievement of the SDGs, and; • providers of finance concerning the ability of the organisation to create long term value for the organisation and society." (Table 1)

Principles, characteristics and practices of reporting	**GRI Standards** (2021)	**HM Treasury** (2021)	**IPSASB Standards** (2022e)	**SDGD Recommendations** (Adams et al, 2020)
Long-term value creation for the organisation and society	GRI does not refer to value creation for the organisation and society but notes that material topics and impacts "provide crucial input for identifying financial risks and opportunities… and for financial valuation." (GRI 3)	The only reference to value creation is with respect to the IRF, which only considers value creation for the organisation (pages 45–46).	Not addressed.	"Organisations create (or destroy) value for their providers of finance through the value they create (or destroy) for the organisation and society. Through the process of creating (or destroying) value, organisations have an impact (positive or negative) on the achievement of the SDGs. The achievement of the SDGs is critical to creating long term value for providers of finance." (Table 1)
Format	None specified, but organisations must publish a GRI content index (for which a template is provided) showing where required disclosure items are located.	None specified, but integrated reporting encouraged (paragraph 1.20).	Not addressed with respect to sustainability reporting.	Include in annual report, annual integrated report and strategic report, with further detail provided elsewhere (page 12).

Principles, characteristics and practices of reporting	**GRI Standards** (2021)	**HM Treasury** (2021)	**IPSASB Standards** (2022e)	**SDGD Recommendations** (Adams et al, 2020)
Baseline	Must be stated along with the rationale for choosing it and reasons for any recalculation of base year figures (for example, see GRI 305-1d).	Must be stated (paragraph 1.29).	Not addressed with respect to sustainability reporting.	N/A – does not specify indicators.
Use of estimates	Used where information is not available and assumptions disclosed (eg GRI 305, page 10).	Use where information is not available, document methodology (paragraph 1.41).	Not addressed with respect to sustainability reporting.	N/A – does not specify indicators.
Frequency of reporting	Not specified but must be disclosed. (GRI 2-3)	Annually implied.	Service performance information should be reported at least annually. (RPG 2, paragraph 3; RPG 3, paragraph 29)	Not specified.
Audience for reporting	Organisational decision makers and stakeholders, including investors. (GRI 1)	Not specified.	Decision makers and stakeholders for accountability purposes. (RPG 3, paragraph 32)	Investors, other key stakeholders and assurance providers, and national governments seeking to enlist the support of organisations and capital markets to realise their commitment to the SDGs.

Summary

The chapter demonstrates the extent of alignment of extant sustainability reporting principles with the principles of financial reporting (Table 3.1). This facilitates the incorporation of economic, social and environmental considerations into established government department and public agency reporting mechanisms concerned with impacts of operations, outcomes of programmes and effectiveness of policies.

Additional established principles of sustainability reporting are set out in Table 3.2.

Figure 3.2 sets out the elements of material information with respect to sustainability from the perspective of the broad range of public sector organisation stakeholders:

- **IMPACT:** information on the positive and negative impacts of the organisation on global achievement of the SDGs.
- **STATE OF THE ENVIRONMENT/OUTCOMES OF POLICIES:** information on the state of the economy, society and the environment under the organisation's jurisdiction and other information on policy outcomes.
- **OUTCOMES/EFFECTIVENESS** of programmes and policies.
- **VALUE CREATION:** information concerning the creation of long-term value for the organisation, economy, society and the environment.
- **FINANCIAL ACCOUNTABILITY/VALUE FOR MONEY:** information concerning spend on social, economic and environmental activities.

The next chapter focuses on disclosures concerning **impact** and long-term **value creation** for the organisation, economy, society and the environment. Governance oversight of these areas and a sound management approach go a long way to integrating sustainability into strategy and hence other areas of public sector decision making and reporting.

The next chapter does not explicitly address state of the environment reports or reporting on the outcomes or effectiveness of programmes and policies. The scope of such reporting varies widely depending on organisational purposes. However, its focus on impact reporting and long-term value creation for the organisation, economy, society and the environment provides an essential building block for these other forms of reporting. It does not address financial accountability, as priorities will vary widely, and public sector organisations have relatively greater expertise in accounting/finance.

Report content

This chapter sets out existing sustainability report content requirements relevant to the public sector using the categories of governance, management approach, strategy and performance and targets introduced in Chapter 2. All the disclosures in the GRI Standards and SDGD Recommendations are included.[12] IRF content requirements and IPSASB's RPGs are included where they support sustainability reporting. Overlap with the TCFD recommendations concerning climate-related disclosures only is noted.

This chapter makes limited reference to requirements set out by governments and government departments, as they tend to be a subset of these global standards and frameworks, particularly the requirements of the GRI Topic Standards.

Organisations are likely to identify additional disclosures through the process of determining material topics set out in GRI 3.

Disclosures concerning governance, management approach and strategy (see Figure 2.1) are important, not only from an accountability perspective but also because they can drive positive change towards sustainable development. The need to disclose these matters may be the first time organisations think about some of them. Examples of disclosures from the governance, management approach and strategy disclosure themes that result in positive action are:

- board oversight of the integration of sustainable development issues into governance processes
- the approach to assessing, prioritising and managing risks posed by sustainable development issues
- the organisation's strategy for contributing to sustainable development.

Some requirements in existing standards and frameworks are accompanied by guidance to support the credibility of report content. For example, GRI 1 provides guidance on aligning sustainability reporting with other forms of reporting, internal controls and external assurance, and RPG 3 provides guidance on the location of service performance information.

12 The inclusion of all requirements helps organisations determine whether they can report in accordance with them. Some of the GRI indicators may not be appropriate for some types of public sector organisations.

4.1 Governance

Disclosures about the organisation and its reporting practices (see Table 4.1) provide stakeholders with some context when reviewing other disclosures, assisting them in making informed decisions. They provide information regarding what the board (or other governing body) has oversight of.

Table 4.1 Disclosure requirements about the organisation and its reporting practices

Disclosure requirement	Source
The organisation's mission and vision, main operations	RPG 2, paragraph 19
Organisational details	GRI 2-1; RPG 2, paragraph 16; IRF 4.5
Entities included in the organisation's sustainability reporting	GRI 2-2
Description of the organisation's business model, capital inputs and outcomes and outputs	IRF (various paragraphs)
Reporting period, frequency and contact point	GRI 2-3
Restatements of information	GRI 2-4
External assurance	GRI 2-5

An organisation's governing body (ie the board, Council, etc) plays a critical role in determining its direction. It approves strategy, appoints the CEO and has oversight of the management approach to determining material risks and opportunities and prioritising sustainable development issues to be incorporated into strategy and planning. Governance disclosures in existing frameworks and standards relevant to the public sector are set out in Table 4.2 and in International framework: good governance in the public sector (CIPFA/IFAC, 2014).

Table 4.2 Governance disclosure requirements

Disclosure requirement	Source
Governance structure and composition	GRI 2-9; IRF 4.9; RPG 2, paragraph 19
Nomination and selection of the highest governance body	GRI 2-10
Chair of the highest governance body	GRI 2-11; IRF 4.9
Role of the highest governance body in overseeing the management of the organisation's impacts	GRI 2-12
Board oversight of integration of sustainable development issues into overall governance processes	SDGD G1 [TCFD]
Delegation of responsibility for managing impacts	GRI 2-13
Role of the highest governance body in sustainability reporting	GRI 2-14
Conflicts of interest	GRI 2-15
Communication of critical concerns	GRI 2-16
Board oversight of appropriateness of the organisation's culture and innovation to respond to sustainable development issues[13]	SDGD G1-6
Statement of acceptance from the board of its responsibility for disclosures concerning sustainable development	SDGD G2
Remuneration policies	GRI 2-19
Process to determine remuneration	GRI 2-20

13 IRF 4.9 requires disclosure concerning culture and innovation, but not with respect to facilitating sustainable development.

Disclosure requirement	Source
Annual total compensation ratio[14]	GRI 2-21
Instances of non-compliance with laws and regulations and fines and sanctions imposed	GRI 2-27
Funding arrangements and other relationships with entities that could affect financial position, financial performance and cash flows	RPG 2, paragraph 19

14 It is anticipated that many public sector agencies reporting using GRI might note this as inappropriate and instead report on the applicable public sector grading structure and numbers of staff at different levels. An example of this is shown in the Australian Public Service Remuneration Report 2021.

4.2 Management approach

Disclosures on management approach enhance the credibility of disclosures on performance and targets. For example, they allow report readers to assess whether the performance indicators cover the organisation's material impacts and ensure the key sustainable development risks and opportunities have been identified and disclosed.

Table 4.3 Disclosure requirements concerning management approach

Disclosure requirement	Source
Approach to stakeholder engagement and how it has informed action taken and the effectiveness for each material topic	GRI 2-29; GRI 3-3; SDGD MA1-1
Process to determine material topics	GRI 3-1; SDGD MA1-2
List material topics	GRI 3-2
Approach to identifying the SDGs that the organisation has the greatest positive and/or negative impact on achieving	SDGD MA1-3
Management of material topics, including their actual and potential impacts, mitigation, remediation, targets and effectiveness of actions	GRI 3-3
Approach to assessing, prioritising and managing risks posed by sustainable development issues	SDGD MA1-4 [TCFD]
Approach to assessing, prioritising and maximising opportunities created by sustainable development issues	SDGD MA1-5 [TCFD]
Approach to selecting SMART targets (Specific, Measurable, Achievable, Relevant, Time-bound)	SDGD MA1-6

Disclosure requirement	Source
Policy commitments with respect to responsible business conduct and their integration, implementation and responsibility	GRI 2-23; GRI 2-24
Approach to ensuring that the accounting, finance, strategy and sustainability functions collaborate to develop the organisation's approach and response to sustainable development issues	SDGD MA1-7
Approach to changing the organisation's business model to take advantage of opportunities for creating long-term value through impacting on the achievement of the SDGs, either by increasing positive contribution or decreasing negative contribution.	SDGD MA1-8
Description of how scenario analysis has been undertaken	SDGD MA2
Processes to remediate negative impacts that the organisation has contributed to	GRI 2-25
Mechanisms through which organisations can see, advise on, or raise concerns about responsible business practices	GRI 2-26
Collective bargaining agreements	GRI 2-30

4.3 Strategy

Strategy is critical to achieving change and making a positive contribution to sustainable development. Disclosures concerning strategy in existing frameworks and standards, so far as they are relevant to sustainability and the public sector, are set out in Table 4.4.

Table 4.4 Disclosure requirements concerning strategy

Disclosure requirement	Source
Relevance of sustainable development (including risks and opportunities) to the organisation	GRI 2-22; SDGD G1-2; SDGD S1-1; (IRF 4.6–4.7; IRF 4D–4E)
The organisation's strategy for contributing to sustainable development	GRI 2-22; SDGD G1-5; SDGD S1-1
The nature and extent of scenario analysis to test the resilience of the organisation's strategy to sustainable development risks and opportunities	SDGD S1-2
Value created for the organisation and its stakeholders through the organisation's approach to sustainable development issues and its impact on achieving the SDGs	SDGD S1-3
Investments in and benefits generated from opportunities arising from sustainable development issues	SDGD S2
External trends that may impact financial position, financial performance and cash flows	RPG 2, paragraph 19; IRF 4.5, 4.6 and 4.7
Objectives and strategy relating to financial position, financial performance and cash flows and significant changes from the previous year	RPG 2, paragraphs 20 and 21
Discussion of principle risks and uncertainties that affect the financial position, financial performance and cash flows and how they are managed and mitigated	RPG 2, paragraphs 27 and 29

4.4 Performance and targets

Table 4.5 sets out generic disclosures related to performance and targets in existing guidance and standards. The GRI Topic Standards listed in Tables 4.6, 4.7 and 4.8 are the most comprehensive set of sustainability reporting disclosures relevant to the public sector.[15] Public sector organisations in some jurisdictions are required to disclose much of the information required in them through specific legislation (for example, on gender equity) or requirements specific to their (type of) organisation. Following the GRI Standards encourages a more holistic approach at the organisational level and greater consistency across public sector organisations. The Topic Standards set out detailed requirements and guidance for each disclosure. Organisations that report in accordance with GRI Standards must either report each indicator or say why not. In addition, they must report their approach to managing each topic.

IPSASB's RPG 3 Reporting Service Performance Information encourages public sector organisations to report, among other things, inputs and outcomes. Particularly relevant to sustainability reporting:

- inputs are defined as "resources used to produce outputs" (paragraph 13)
- outcomes are defined as "impacts on society, which occur as a result of, or are reasonably attributed to, the entity's outputs" (paragraph 8).

The example of inputs provided that is directly linked to sustainability is 'human resources of labour'. In addition to this 'human capital', the International IRF identifies 'social and relationship' and 'natural' capital. RPG 3 does not include guidance on determining 'outcomes' but gives examples such as 'changes to educational achievements within society, changes to poverty and crime levels, or changes to the health of different groups within society' (RPG 3, paragraph 18). RPG 3 encourages the use of qualitative and quantitative performance indicators to measure inputs and outcomes, and further guidance may be provided in the future.

The GRI Standards provide a baseline of appropriate indicators. For example, GRI 204 Procurement Practices (see Table 4.6), in addition to indicator GRI 204-1, requires disclosure of how procurement practices are managed. This might include action to identify negative impacts in the supply chain.

15 Additional material topics appropriate to a particular sector may be included in the relevant Sector Standard.

Table 4.5 Generic disclosure requirements concerning performance and targets

Disclosure requirement[16]	Source
Describe the connection between the organisation's approach to sustainable development and its vision and mission	SDGD PT1
Describe the organisation's approach to setting targets, including how it is influenced by the organisation's consideration of the risks, opportunities and scenarios related to sustainable development and the SDGs	SDGD PT2 [TCFD]
Disclose the organisation's material positive and negative financial and non-financial impacts on the achievement of the SDGs	SDGD PT3
Report performance against short, medium and long-term SMART targets	SDGD PT4 [TCFD]
Describe how the organisation's approach to sustainable development has contributed to value creation (or destruction) for the organisation and its stakeholders	SDGD PT5
Disclose any material (positive and negative) impact of the organisation's lobbying activities and taxation practices on the achievement of the SDGs	SDGD PT6
Disclose assumptions concerning material sustainable development risks and opportunities in future cash flows, asset valuations, useful lives and contingent liabilities	SDGD PT7
Disclose where additional detailed information on the organisation's impacts can be found	GRI Topic Standards; SDGD PT 8

16 Some of the SDGD Recommendations will not be applicable to all organisations. In this case, an explanation should be provided (G3).

Compliance with GRI Standards provides indicators to report inputs and outcomes through use of the GRI Topic Standards (Tables 4.6, 4.7 and 4.8). Use of the GRI Universal Standards allows the identification of material matters and related performance indicators not covered by the GRI Topic Standards. For example, for a university, this should include information on subject-level gender diversity among students or information on graduate employment rates. The 2021 HM Treasury requirements concern environmental issues only, and where these overlap with GRI Standards, this is noted in Table 4.7.

CIPFA's 2013 guidance *Producing a Sustainability Report* included a subset of these indicators covering greenhouse gas emissions, energy, waste and water. In addition, this includes financial accountability indicators concerning the cost of energy, expenditure on energy efficiency measures and savings achieved through them, expenditure on vehicle fuel, waste disposal and water. Such indicators are sometimes provided for financial accountability purposes but do not allow report readers to assess progress towards sustainable development and net zero targets.

Table 4.6 GRI Topic Standards and disclosures – economic topics

GRI Topic Standard	Disclosures in Topic Standards[17]	
GRI 201: Economic Performance	GRI 201-1	Direct economic value generated and distributed
	GRI 201-2	Financial implications and other risks and opportunities due to climate change
	GRI 201-3	Defined benefit plan obligations and other retirement plans
	GRI 201-4	Financial assistance received from government
GRI 202: Market Presence	GRI 202-1	Ratios of standard entry-level wage by gender compared to local minimum wage
	GRI 202-2	Proportion of senior management hired from the local community
GRI 203: Indirect Economic Impacts	GRI 203-1	Infrastructure investments and services supported
	GRI 203-2	Significant indirect economic impacts
GRI 204: Procurement Practices	GRI 204-1	Proportion of spending on local suppliers
GRI 205: Anti-corruption	GRI 205-1	Operations assessed for risks related to corruption
	GRI 205-2	Communication and training about anti-corruption policies and procedures
	GRI 205-3	Confirmed incidents of corruption and actions taken
GRI 206: Anti-competitive Behaviour	GRI 206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices
GRI 207: Tax	GRI 207-1	Approach to tax
	GRI 207-2	Tax governance, control and risk management
	GRI 207-3	Stakeholder engagement and management of concerns related to tax

17 The Standards set out detailed requirements and guidance for each disclosure.

Table 4.7 GRI Topic Standards and disclosures – environmental topics

GRI Topic Standard	Disclosures in Topic Standards[18]		Covered in HM Treasury (2021) (Y/N)?
GRI 301: Materials	GRI 301-1	Materials used by weight or volume	N
	GRI 301-2	Recycled input materials used	N
	GRI 301-3	Reclaimed products and their packaging materials	N
GRI 302: Energy	GRI 302-1	Energy consumption within the organisation	Y
	GRI 302-2	Energy consumption outside of the organisation	N
	GRI 302-3	Energy intensity	N
	GRI 302-4	Reduction of energy consumption	N
	GRI 302-5	Reductions in energy requirements of products and services	N
GRI 303: Water and Effluents	GRI 303-1	Interactions with water as a shared resource	N
	GRI 303-2	Management of water discharge-related impacts	N
	GRI 303-3	Water withdrawal	N
	GRI 303-4	Water discharge	N
	GRI 303-5	Water consumption	Y

18 The Standards set out detailed requirements and guidance for each disclosure.

GRI Topic Standard	Disclosures in Topic Standards[18]		Covered in HM Treasury (2021) (Y/N)?
GRI 304: Biodiversity	GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N
	GRI 304-2	Significant impacts of activities, products and services on biodiversity	N
	GRI 304-3	Habitats protected or restored	Y
	GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	N
GRI 305: Emissions	GRI 305-1	Direct (scope 1) GHG emissions	Y
	GRI 305-2	Energy indirect (scope 2) GHG emissions	Y
	GRI 305-3	Other indirect (scope 3) GHG emissions	Y
	GRI 305-4	GHG emissions intensity	N
	GRI 305-5	Reduction of GHG emissions	Y
	GRI 305-6	Emissions of ozone-depleting substances (ODS)	N
	GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Y
GRI 306: Waste	GRI 306-1	Waste generation and significant waste-related impacts	Y
	GRI 306-2	Management of significant waste-related impacts	Y
	GRI 306-3	Waste generated	Y
	GRI 306-4	Waste diverted from disposal	Y
	GRI 306-5	Waste directed to disposal	Y

GRI Topic Standard	Disclosures in Topic Standards[18]		Covered in HM Treasury (2021) (Y/N)?
GRI 308: Supplier Environmental Assessment	GRI 308-1	New suppliers that were screened using environmental criteria	Y
	GRI 308-2	Negative environmental impacts in the supply chain and actions	Y

While the GRI social indicators (Table 4.8) are not required by HM Treasury, many jurisdictions require accountability through government agencies or specific legislation on some issues such as equal opportunities, indigenous rights and health and safety. Some other issues would not be applicable – for example, child labour is banned in some jurisdictions. Other issues will not be material topics for some public sector organisations – for example, marketing, labelling and customer privacy.

CIPFA's 2013 guidance included a subset of GRI social indicators concerning labour practices and work, human rights, product responsibility, equal opportunities and staff development. It was also suggested that costs associated with these matters should be reported where applicable. Examples given included staff costs, per-capita expenditure on training, costs of diversity initiatives, social investment, costs of staff and stakeholder surveys, etc. This report encourages a focus on the social outcomes of investments.

4.5 Location of sustainability disclosures

In practice, sustainability disclosures are in a variety of places, depending on their nature, importance and audience. Locations include the annual report, a separate sustainability report and an organisation's website. IPSASB requires organisations to include financial-related disclosures in the financial statements.

The GRI requires the completion of a GRI content index stating the location of each disclosure requirement and the reason for any omissions. A template for this is available to download from the GRI website. It is not necessary to include all disclosures in a sustainability report if provided elsewhere. This typically applies to governance disclosures that tend to be provided in the annual report.

In addition to traditional reporting locations, there is evidence of the increasing use of social media with the benefit of wider stakeholder interaction.

Giacomini et al (2021) found a significant increase in posts on Facebook by Italian municipalities over the period 2012–2017 around environmental issues and stakeholder interaction with them.

Table 4.8 GRI Topic Standards and disclosures – social topics

GRI Topic Standard	Disclosures in Topic Standards[19]	
GRI 401: Employment	GRI 401-1	New employee hires and employee turnover
	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees
	GRI 401-3	Parental leave
GRI 402: Labour/Management Relations	GRI 402-1	Minimum notice periods regarding operational changes
GRI 403: Occupational Health and Safety	GRI 403-1	Occupational health and safety management system
	GRI 403-2	Hazard identification, risk assessment and incident investigation
	GRI 403-3	Occupational health services
	GRI 403-4	Worker participation, consultation and communication on occupational health and safety
	GRI 403-5	Worker training on occupational health and safety
	GRI 403-6	Promotion of worker health
	GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
	GRI 403-8	Workers covered by an occupational health and safety management system
	GRI 403-9	Work-related injuries
	GRI 403-10	Work-related ill health

19 The Standards set out detailed requirements and guidance for each disclosure.

GRI Topic Standard	Disclosures in Topic Standards[19]	
GRI 404: Training and Education	GRI 404-1	Average hours of training per year, per employee
	GRI 404-2	Programmes for upgrading employee skills and transition assistance programmes
	GRI 404-3	Percentage of employees receiving regular performance and career development reviews
GRI 405: Diversity and Equal Opportunity	GRI 405-1	Diversity of governance bodies and employees
	GRI 405-2	Ratio of basic salary and remuneration of women to men
GRI 406: Non-Discrimination	GRI 406-1	Incidents of discrimination and corrective actions taken
GRI 407: Freedom of Association and Collective Bargaining	GRI 407-1	Operations and suppliers where the right to freedom of association and collective bargaining may be at risk
GRI 408: Child Labour	GRI 408-1	Operations and suppliers at significant risk for incidents of child labour
GRI 409: Forced or Compulsory Labour	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour
GRI 410: Security Practices	GRI 410-1	Security personnel trained in human rights policies or procedures
GRI 411: Rights of Indigenous Peoples	GRI 411-1	Incidents of violations involving the rights of indigenous peoples
GRI 413: Local Communities	GRI 413-1	Operations with local community engagement, impact assessments and development programmes
	GRI 413-2	Operations with significant actual and potential negative impacts on local communities
GRI 414: Supplier Social Assessment	GRI 414-1	New suppliers that were screened using social criteria
	GRI 414-2	Negative social impacts in the supply chain and actions taken
GRI 415: Political Contributions	GRI 415-1	Political contributions

GRI Topic Standard	Disclosures in Topic Standards[19]	
GRI 416: Customer Health and Safety	GRI 416-1	Assessment of the health and safety impacts of product and service categories
	GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services
GRI 417: Marketing and Labelling	GRI 417-1	Requirements for product and service information and labelling
	GRI 417-2	Incidents of non-compliance concerning product and service information and labelling
	GRI 417-3	Incidents of non-compliance concerning marketing communications
GRI 418: Customer Privacy	GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data

Summary

This chapter sets out disclosures relevant to public sector sustainability reporting grouped under the themes of governance, management approach, strategy and performance and targets sourced from the GRI Standards, the IRF, IPSASB standards and guidance, the SDGD Recommendations and the TCFD recommendations.

It sets out the GRI Topic Standards as public sector guidance, and requirements have tended to select a subset of them. Following GRI Topic Standards would provide a more holistic approach within organisations and more consistency across them.

Reporting process

This chapter sets out an approach to planning a report, the process and developing a strategy to improve your organisation's reporting (see Figure 5.1). It includes ten steps to determining what information to disclose (see Figure 5.2).

5.1 Steps to better sustainability reporting

Figure 5.1 sets out steps for planning, developing and improving sustainability reporting. There is no right or wrong order to completing the steps in the green circles, but they should be completed before completing all tasks in the purple circles.

The **team** will likely involve a competent project manager and writer – someone at ease with communicating with people across the organisation (to gather data) and someone who understands the criteria for quality data. Data will need to be collected from across the organisation. This will involve sustainability reporting professionals, accounting and finance professionals, human resources professionals and engineers. This needs to be appropriately resourced.

The **audience for the report** will be determined by considering which internal and external stakeholders are concerned about the organisation's strategy, management approach, governance oversight and performance and targets with respect to sustainable development. This might involve internal discussions, discussions with stakeholders and reading the first four chapters of this guidance. In some cases, it will be the Parliament or other legislative body that holds the public sector organisation to account.

Determining the **key sources of data** currently disclosed, the **data owners** and the **reliability** of the data will involve careful documentation, examination of internal controls and prior internal audit or external assurance. This is an area where accounting professionals can be of assistance. Consideration should be given to use of digital technologies.

Determining the **format for the report** or location of disclosures generally involves an examination of good practice reports and consideration of stakeholder preferences. Disclosures do not all have to appear in one report, and some may be web-based only. Many reporters have significant disclosure on their website, which is updated as needed. This might include, for example, their policies, purpose and governance structure. Summary information in a sustainability report with a link to such information reduces the perceived burden of reporting. The GRI content index template (see Location of sustainability disclosures) is a useful resource for recording the location of disclosures, reasons for non-disclosure and revealing gaps in current disclosures.

Written communication and visual presentation can be critical to getting the organisation's message across and encouraging more people to engage with the report or disclosures. If the organisation does not have internal capabilities, consider going out to tender for a **professional designer and/or writer.**

Successful project management will involve determining the date by which the report must be finalised and from there **the deadline for tasks involved.** Obtaining data and information required from all parties involved on time can be challenging, and having this task fall under the CFO's or chief accountant's purview can help instil a discipline equivalent to that needed for financial reporting.

External assurance is critical to the credibility of public reporting, and consideration should be given to obtaining it or expanding the scope of the assurance engagement.

Figure 5.1 Planning the organisation's initial report and developing a reporting strategy

5.2 Determining what sustainability information to disclose

Figure 5.2 sets out steps to determine what sustainability information to disclose. The steps should be considered sequentially. Some of the steps will require action beyond the reporting team – for example, where information cannot be disclosed because the related process does not exist.

The first step concerns identifying mandatory requirements. These may come in the form of national regulation, organisation-specific regulation (for example in the case of some state-owned organisations) or other forms of requirements.

Steps 2–4 relate to disclosures on governance, management approach and strategy and indicate the extent to which sustainable development thinking is embedded in the organisation. Research indicates that disclosure requirements on these matters influence change within organisations. Disclosures on management approach and governance oversight are also critical to the credibility of reporting on strategy and performance and targets.

Steps 5–6 are concerned with identifying material topics and generic disclosures on performance and targets. In determining material topics using the guidance in GRI 3 (step 5), an organisation may conclude that some of the indicators in the GRI Topic Standards are not appropriate. Where a material topic is included in an applicable Sector Standard but is not material for the organisation, this must be specified in the content index.

Steps 7–9 involve determining the current extent of compliance with specific standards and guidance. This encourages organisations to develop their reporting to the extent that they can claim compliance with them. Priority is placed on compliance with the GRI Standards because:

- many existing public sector requirements and guidelines include a subset of GRI indicators
- as illustrated in Figure 2.1, reporting on impacts is the basis for other types of public sector sustainability reporting depicted in Figure 2.2
- as explained through chapters 1–4, disclosures on management approach, governance and strategy are critical to identifying gaps in processes and driving action.

Disclosures on management approach and governance are comprehensively addressed in the GRI Standards. The SDGD Recommendations add additional disclosures concerning strategy and approach to performance and targets that further drive change, while following the TCFD recommendations can drive strategy with respect to climate change.

The final step requires organisations to consider additional disclosures not included in extant standards and guidelines that would:

- provide enhanced accountability that matters to key stakeholders, and/or
- facilitate the organisation's positive contribution to sustainable development.

For public sector agencies, this might include reporting on the economic, social and environmental impacts of policies and programmes and reporting on activities to improve the state of the environment. Other matters that may be particularly relevant to public agencies include:

- information related to the sustainability performance of buildings owned or leased
- additional information related to procurement
- climate change scenario analysis related to coastline or flood-prone urban areas.

Figure 5.2 Ten steps to determining what to disclose

1. Identify all mandatory reporting requirements for material topics that apply to your organisation and related sources of data.
2. Identify what information on governance, management approach and strategy is already disclosed using Tables 4.1-4.4. Note location of disclosures.
3. Identify gaps in processes that limit the ability to disclose information on governance, management approach and strategy in Tables 4.1-4.4.
4. Develop plans to address these gaps (or a selection thereof) in processes in the current or future reporting periods.
5. Determine your material topics by following the guidance in GRI 3.
6. Identify which of the generic disclosure requirements on performance and targets in Table 4.5 you will disclose now and which you will disclose in the future.
7. Consider whether you may be able to report in accordance with GRI Standards (see GRI 1 for in-accordance criteria).
8. Examine the level of disclosure against the SDGD Recommendations (Tables 4.3–4.5) and consider whether you wish to note full or partial compliance (see SDGD G3 for in-accordance criteria).
9. Consider whether you wish to (plan to) report additional disclosures in the TCFD recommendations, the IRF and RPG 2.
10. Consider additional disclosures that will provide enhanced accountability that matters to key stakeholders or facilitate the organisation's positive contribution to sustainable development.

Summary

This chapter sets out an approach to developing the organisation's first sustainability report or enhancing its existing sustainability disclosures. Report preparers should follow the steps set out in Figures 5.1 and 5.2. Policy influencers and regulators can use Figure 5.2 to build on current accountability requirements aligned to global practice and to address the sustainable development trends outlined in Chapter 1.

Enhancing the credibility and quality of the report

6.1 Stakeholder engagement, governance oversight and embedding sustainable development thinking

Stakeholder engagement and reporting on the stakeholder engagement process are critical to the credibility of sustainability reporting. In addition to requiring disclosure of how stakeholders have been engaged, GRI 2-29 provides guidance on conducting meaningful stakeholder engagements and additional disclosures to demonstrate this. GRI 3-3 requires disclosure of how stakeholder engagement has informed actions taken and their effectiveness. SDGD MA1-1 requires the organisation to disclose how consideration of sustainable development issues and the SDGs has informed its processes for ensuring stakeholder inclusivity.

Demonstrating governance oversight in sustainability reports adds to their credibility, not least because governing bodies are ultimately responsible for strategy, hence ensuring that consideration of sustainable development risks and opportunities have been integrated into strategy (see Tables 4.2 and 4.4 for disclosures on governance oversight and strategy). Governing bodies need to be confident that the management approach is sound (See Table 4.3 for disclosures on the management approach).

Credibility involves demonstrating that "sustainable development thinking" is embedded within the organisation and applied to all key decisions. This also improves the quality of reporting. Table 6.1 poses questions for an organisation to consider in determining where further work is needed to embed sustainable development thinking. Building staff expertise through training and recruitment is critical.

Table 6.1 Integrated thinking and sustainable development thinking principles

	The Value Reporting Foundation's Integrated Thinking Principles[20]	Alternative "sustainable development thinking" principles for the public sector
Purpose	Why do we exist and what is our unique contribution to the needs of society and the environment?	What is our purpose and how does it make a positive and/or unique contribution to sustainable development? What problems are we here to solve?
Strategy	How does our organisation define where it wants to go and how it intends to get there? How do we seize opportunities, mitigate risks and maximise the resources available to us to meet the needs of our customers and key stakeholders through the products we make and the services we provide, while creating value in the short, medium and long term?	How does our organisation integrate sustainable development issues into strategy, budgeting, planning and the business model to develop policies, programmes and/or new products and services that contribute to sustainable development?
Risks and opportunities	How do we assess the impact of internal and external risks and opportunities on our business model, operations and strategy in the short, medium and long term?	How do we identify and assess our impact on sustainable development and the opportunities and risks posed by sustainable development issues and trends in the short, medium and long term?
Culture	How do we identify our key stakeholders, and how do we embed a culture that earns their trust and aligns with our core values?	How do we shift our culture and values to make achieving net zero and contributing to sustainable development and the SDGs front and centre of everything we do?
Governance	How do those charged with governance make a distinct contribution to value creation for the organisation and its key stakeholders? How is our strategic execution enabled by our organisational structure, cross-functional teaming, decision-making processes and risk and opportunity management processes?	How do those charged with governance oversight ensure that our strategy contributes to sustainable development? What sustainable development skills do members of our governing body bring?

20 The Integrated Thinking Principles became a resource of the IFRS Foundation with the amalgamation of the Value Reporting Foundation and IFRS Foundation in 2022.

	The Value Reporting Foundation's Integrated Thinking Principles[20]	Alternative "sustainable development thinking" principles for the public sector
Performance	How do we measure, manage, act upon and communicate the value we have created for our providers of financial capital and other key stakeholders?	How do we measure and communicate our long-term impact on sustainable development and the value we create for the organisation, the economy, society and the environment? How does our management approach and strategy facilitate action towards enhancing our performance in relation to these matters?

Sources: Value Reporting Foundation (2022) and Investors Need Sustainable Development Thinking (Adams, CA in ESG Investor, 2022).

6.2 Internal controls and internal audit

Adequate internal controls are essential to ensuring the accuracy of data reported. This may be set out as a requirement. For example, the Victoria State Government's Department of Health and Human Services (2017) recommends that a record is kept of arrangements to check and validate the data management process and the checking of data from utility providers.

Table 6.2 is adapted from a table providing evidence to support disclosures in the SDGD Recommendations. Maintaining documentary evidence as set out here adds credibility and robustness to an organisation's approach. These examples of evidence are relevant beyond the disclosures in the SDGD Recommendations and can give the governing body confidence that sustainable development considerations are fully integrated into processes, policies and practices. These examples of evidence may also be used by internal audit teams, external assurance providers and SAIs in extending the scope of engagements to include narrative reporting on governance, strategy and management approach. Maintaining such evidence and testing it through internal assurance processes reduces the risk of inaccurate reporting (greenwashing) and facilitates better decision making.

6.3 External assurance

External assurance of sustainability information is generally voluntary – for example, see Measuring and reporting public sector greenhouse gas emissions (National Audit Office, 2022).

In 2021, CIPFA found only 25% of public sector organisations that prepared sustainability reports engaged assurance providers, and none of these had their reports audited by the SAI in their jurisdiction. Yet assurance is critical to the credibility of sustainability reports, particularly given the importance of disclosure of processes to that credibility. In addition, assurance can act as a feedback process and enhance the quality of the reporting and reporting processes, ultimately enhancing decision making.

External assurance of processes is critical to trust in the integration of sustainable development considerations around strategy and decision making. Public sector organisations are encouraged to collaborate with their SAIs or external assurance providers to increase the scope of assurance. It is important that external assurance reports adequately explain the level of assurance obtained and its scope, which should incorporate disclosures of processes. See Simnett et al (2022) and ICAS (2022a and 2022b) for further discussion of these issues.

External assurance of public sector sustainability reporting is likely to increase in importance. The European Court of Auditors already reviews performance information. Increased demand for public sector sustainability reporting assurance will put pressure on SAIs to upskill to ensure quality of provision. Regulators have a role in developing requirements to ensure public sector sustainability reporting assurance engagements are of sufficient quality.

Table 6.2 Examples of evidence supporting disclosures

Disclosure theme	Examples of evidence
Governance	• Terms of reference for governing body and its subcommittees • Interviews with governing body members • Governing body meeting minutes and minutes of the audit and risk committee • Minutes of relevant governing body (or subcommittee) meetings concerned with net zero and other sustainable development issues • Interviews with governing body Chair, chairs of relevant subcommittees and members of the senior management team • Governing body skills matrix • Remuneration policy
Strategy	• Presentations to providers of finance • Papers provided to governing body strategy meetings and documented outcomes thereof • Strategic plan and supporting documents • Papers provided to senior management team meetings and minutes of those meetings • Interviews with governing body Chair, chairs of relevant subcommittees and members of the senior management team • Documented review of external research, industry and media documents to check completeness of risk and opportunity identification and meetings with stakeholders to identify risks and opportunities • Documented process of stakeholder engagement

Disclosure theme	Examples of evidence
Management approach	• Terms of reference for executive team meetings • Papers provided at senior management team meetings and minutes of those meetings • Terms of reference of audit and risk committee • Internal documents concerned with monitoring risk and opportunity, including relevant policies • Interviews with the internal auditors • Documented internal controls procedures and processes including internal audit reports • Documented process of stakeholder engagement and meetings with stakeholders to identify risks and opportunities • Documented materiality process • Documentation supporting the organisation's approach to identifying the SDGs on which it has the greatest impact • Interviews with management • Interviews with key stakeholders, including employees
Performance and targets	• Presentations to providers of finance • Board papers and management meeting papers • Data sources, data protocols and documents justifying the choice of indicators • Integration of KPIs and targets into core accounting and internal reporting systems • Documented internal controls procedures and processes, including internal audit reports • Interviews with internal auditors • Documented approach to developing the targets, including the basis for target determination • Interviews with responsible managers, providers of finance and key stakeholders

Source: Adapted from the SDGD Recommendations (2020) for the public sector.

Conclusion

It *is* time for public sector sustainability reporting to step up in response to the drivers highlighted in Chapter 1, The public sector and sustainability.

The importance of drawing on existing standards and recommendations to improve consistency and avoid reinventing the wheel is highlighted in The nature of public sector sustainability reporting. Its complexity and broad scope are highlighted in Figure 2.2 through the 'spheres of public sector sustainability reporting'. There is scope for advances in guidance and standards in these areas from IPSASB, GRI and others, evidence supporting the need for skills development, and an increase in the quality and quantity of sustainability disclosures.

There is always more to do, and this guidance highlights newer areas of focus for public sector sustainability reporting:

- Organisations' impacts (positive or negative) on contributions to the UN SDGs and plans to enhance such contributions.
- The impact of sustainable development risks and opportunities on a reporting organisation's strategy.
- The financial implications of sustainable development risks and opportunities for the reporting organisation.
- The impact of policy and programmes on sustainable development.

While this work requires resourcing and upskilling, it also brings benefits – for example, in the form of better information for decision making and better relationships with stakeholders.

Policymakers should take steps to ensure interoperability with existing approaches. To help with this and to guide report preparers, the principles of public sector sustainability reporting and how the various standards and recommendations address them are set out in Concepts and principles of public sector sustainability reporting.

The suggested disclosures in Chapter 4, Report content follow the format of other standards and recommendations around four themes as set out in Figure 2.1: strategy, management approach, performance and targets, and governance. Report preparers are encouraged to innovate and develop disclosures relevant to their sector that are not covered by the general disclosures in this guidance. This chapter helps report preparers and policymakers identify potential disclosures and sources in existing standards and recommendations. For report preparers, this is useful for assessing the extent to which they comply with particular standards and recommendations, and for policymakers, it assists in ensuring any requirements are interoperable with existing measures.

Chapter 5, Reporting process will be most useful for professionals involved in sustainability reporting. It sets out steps for planning an initial report and developing a reporting strategy, ie a pathway to developing reporting over the next few years (see Figure 5.1). It sets out a step-by-step approach to determining what to disclose (Figure 5.2).

Of course, how a report is received depends on its credibility, and Enhancing the credibility and quality of the report sets out ways in which this can be improved.

Good luck with your reporting journey and take note of the benefits it brings. This will help in making a case for resources to continue its development.

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