

Sustainability Reporting:
Concepts, Frameworks
and the Role of Supreme
Audit Institutions



INTOSAI
Working Group
on Environmental
Auditing



This publication was prepared by the INTOSAI Working Group on Environmental Auditing (WGEA). The WGEA aims to encourage the use of audit mandates and audit methods in the field of environmental protection and sustainable development by Supreme Audit Institutions (SAIs). The WGEA has the mandate to

- help SAIs gain a better understanding of environmental auditing issues,
- facilitate exchange of information and experiences among SAIs, and
- publish guidelines and other informative materials.

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FOREWORD & ACKNOWLEDGEMENTS

Sustainability reporting is a tool to increase transparency and accountability in the issues that traditional financial reporting is not dealing with. These include the linkages between environmental, social and economic issues as well as long-term perspective. Reporting on sustainability matters has increased in the private sector since the 1990s. Recently, some public sector organizations have also started disclosing their sustainability performance.

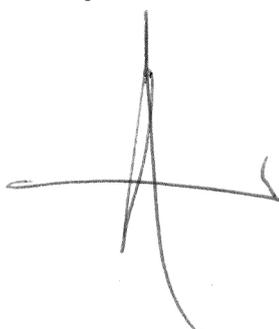
This research paper introduces sustainability reporting to public sector auditors. It also discusses the implications that sustainability reporting practices might have for Supreme Audit Institutions (SAIs) and a possible role for the International Organization for Supreme Audit Institutions (INTOSAI). With this paper, INTOSAI's Working Group on Environmental Auditing (WGEA) responds to some of the recommendations made at the twentieth International Congress of Supreme Audit Institutions (XX INCOSAI) concerning sustainability reporting.

This research project was led by Vivi Niemenmaa and Markku Turtiainen in the National Audit Office of Finland. A subgroup consisting of the SAIs of Canada (George Stuetz), Estonia (Viire Viss), New Zealand (Jonathan Keate) and the UK (Jill Goldsmith and Rosie Buckley) provided invaluable ideas, comments and support during the course of the project. INTOSAI's WGEA Steering Committee provided constructive feedback. SAIs from Australia, Brazil, India, The Netherlands, South Africa and Sweden helped compile case studies that cover all continents. Important comments were also provided by Professor Amanda Ball (University of Canterbury), Gillian Fawcett (Head of Public Sector, Association of Chartered Certified Accountants, UK), and Mikael Niskala (Senior Vice President, Tofuture.)

We would like to thank all these individuals and institutions for their contribution to this important topic.



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1.

INTRODUCTION

1.1. CONCEPTUAL BACKGROUND

Sustainable development as a concept was launched in the late 1980s. The UN's Brundtland report defined it as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".¹ Although the concept is contested, it serves as a valuable tool in scrutinizing complex issues. Theoretically, the concept is tied to the stream of ecological modernization which argues that economic growth and ecological concerns can be favorably combined.² Sustainability recognizes the interdependence of economic, social and environmental factors. With reference to future generations it is also forward-looking.

On the macroeconomic level, sustainability has been linked to arguments about national accounting and limitations of using GDP as an indicator of economic performance and social progress. For example, traffic jams may increase GDP as a result of the increased use of gasoline, but obviously not the quality of life or the state of the environment.³ As a consequence, there is increasing interest in developing new welfare indexes, such as the creation of gross happiness indexes, originally invented in Bhutan. At a national level, there is also the development of environmental accounting.⁴ Environmental accounts have been created to complement national financial accounts, by detailing the full economic costs of natural resources used and environmental effects caused.

Sustainability concerns have been introduced to the debate about organization-level annual reporting as well. In most countries, private and public organizations are required by law to publish an annual report on their financial performance. It contains all the relevant financial information and is presented in a structured manner. Usually, a financial report or financial statement is audited by an external auditor in order to provide the user of the accounts with reasonable assurance about its completeness and accuracy and, in the public sector, to attest the proper financial accountability of the audited entity.

Corporate decision-making is often heavily reliant on financial information, although this information may not give a complete picture about an organization and the environment in which it operates. The success of an organization might not only depend on its financial results, but also on issues such as its capacity to reduce greenhouse gases or its efficient use of resources. Environmental and sustainability issues are not only a moral concern, but are increasingly important because of their financial significance. Another example is how an organization can act in order to maintain employee and customer satisfaction. These examples are related to the growing importance of corporate governance in the private sector and good governance in the public sector. These kinds of issues cannot be reported solely through the use of traditional financial reporting.

In order to provide such a broader perspective on their performance, some organizations have started to report their performance on environmental issues, social responsibility or sustainable development, alongside financial issues. Sustainability reporting is a systematic tool to gather and present sustainability information for the management process, and to stakeholders such as employees, shareholders, customers, local communities, NGOs, investors or financial analysts. Whether organizations choose to report or not, information that affects the environment and communities has become more easily available with globalization and social media platforms. Some organizations are choosing to report this wider performance to avoid appearing not to care about these issues and to improve their reputations.

Sustainability reporting started with private sector companies. Sustainability reporting is mainly practiced by developed countries. Sustainability, however, always has global links. For instance, the transparency of supply chains and responsible business, such as respect for social and environmental concerns, are also very important for less developed countries.

Increasingly, public sector organizations are also interested in analysing their role in the wider context of sustainability. In some countries, sustainability information has been included in public sector national accounts, sustainable development strategies and impact assessments of policies or laws, for instance. Besides these, sustainability can be reported on an organizational level by focusing on the sustainability implications of a public entity's actions. For example, state-owned companies have adopted sustainability reporting principles and governments have produced guidance on the issue. In some cases, it has been local government organizations that have been forerunners in adopting sustainability reporting in the public sector. Some early examples also show how public sector organizations at the state level, such as ministries and agencies, are beginning to report on their sustainability performance.

¹ WCED (1987).

² E.g. Hajer (2005), Young (2000).

³ Steglitz et al. (2009).

⁴ INTOSAI WGEA *Environmental Accounting: Current Status and Options for SAs* 2010).

Supreme Audit Institutions (SAIs) can make some important contributions to sustainability reporting. Firstly, SAIs may want to demonstrate best practice by paying attention to their impact on sustainability (for example, by making a strategic decision to include sustainability in their office policy and annual reporting). And secondly, an SAI, as an external government audit institution, might have a larger role in assessing sustainability reporting practices and thus extending the role that SAIs currently play in providing financial assurance services. Many sustainability reporting elements, such as the stakeholder perspective and employee participation, have a direct link to good governance and transparency. Furthermore, as sustainable development pays attention to intergenerational aspects and combines environmental, social and economic perspectives, reporting about these issues can improve governance problems identified in many audits⁵ and increase the efficiency and effectiveness of public sector finances.

1.2. PURPOSE OF THIS PAPER

The International Congress of Supreme Audit Institutions (INCOSAI) that was held in 2011 considered the importance of environmental auditing and sustainability and the role of SAIs. According to decisions of that INCOSAI, reflected in the Johannesburg Accords, SAIs should, among other things, encourage developments in sustainable development reporting. One of INCOSAI's recommendations was to encourage the INTOSAI Working Group on Environmental Auditing (WGEA) to promote and actively participate in the development of sustainability reporting frameworks for the public sector and develop guidance on how to audit sustainability reports. This research paper is the first step in scrutinizing sustainability reporting from the viewpoint of SAIs, but it does not give any guidance on auditing sustainability reports. This might be a step to be taken later, because this paper will need to be updated as the reporting field continues to evolve.

The purpose of this paper is to present public sector auditors with a useful analysis of sustainability reporting. Sustainability reporting aims to broaden the issues that organizations disclose about their performance. As SAIs are interested in high-quality reporting, sustainability reporting experiences gained in the private sector are relevant for those developing public sector sustainability reporting and auditing such reporting. Moreover, as some public sector organizations have started to carry out sustainability reporting, it is very relevant for SAIs to have up-to-date analysis about sustainability reporting. A special target audience for this paper is auditors working with environmental and sustainability issues.

In this paper, "public sector" refers broadly to government organizations at different levels (central government, regional government and local government) as well as state-owned companies. Many of the references to sustainability reporting come from the private sector simply because, to date, there is little experience in the public sector of "company-style" sustainability reporting. It is, however, arguable that the public sector, in its work on performance reporting, for example, has similar experiences to the private sector in sustainability reporting. This paper, however, recognizes and discusses the differences between private and public sector organizations and is written for public sector readers and with public sector practices in mind.

The scope of this paper is the reporting of organizations. It thus does not deal with national sustainability strategies or national accounting practices. It also excludes issues about the financial sustainability of public finances.⁶ There has, however, been a new wave of interest in sustainability reporting after the financial crises started in 2008, as there have been calls for wider transparency, better long-term considerations and highlighting of systemic risks.⁷ Further, sustainability reporting has been seen as a useful tool to potentially address both the global financial crises as well as the sustainability issues that the world faces.⁸ The financial crisis has brought stronger demands for more transparency and for new and more effective forms of accountability.

First, this paper discusses the particular nature of sustainability information (Chapter 2). Then it outlines reporting developments (Chapter 3), and motivations that lie behind voluntary sustainability reporting (Chapter 4). Chapter 5 introduces some reporting frameworks, and Chapter 6 looks at questions related to the assurance of sustainability reports. Finally, the paper deals with preconditions for successful reporting (Chapter 7) and sums up the reporting developments from the viewpoint of SAIs (Chapter 8). The paper presents several case studies (from all over the world) to illustrate the various aspects of sustainability reporting.

⁵ INTOSAI (2012).

⁶ See INTOSAI Working Group on Public Debt and INTOSAI Global Financial Crisis Task Force at www.intosai.org.

⁷ Hopwood et al. (2010).

⁸ GRI, KPMG, UNEP & Unit for Corporate Governance in Africa (2010).



2.

NATURE OF SUSTAINABILITY INFORMATION

In this chapter, we describe the specific nature of sustainability information including financial and non-financial elements. We also introduce sustainability indicators as a tool in measuring sustainability performance. Many organizations already hold data on sustainability issues and can, for example, easily identify the amount of office paper that they use annually or their annual waste disposal costs. In addition, many agencies collect customer or employee satisfaction data or classify industrial accidents. Sustainability reporting means that sustainability data is presented in a systematic way so that it can be compared with the past and progress concerning the selected targets can be measured.

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Sustainability information includes both financial and non-financial information. Financial information has a direct link with the financial accounting system and is expressed in monetary units. Non-financial information means that it is not presented in monetary terms and is not based on an accounting standard. Non-financial information can be both quantitative, such as tons (or units) of greenhouse gas, or qualitative, such as governance processes, the reputation of an organization or the organization's impact on the state of biodiversity.

Non-financial information is often more difficult to handle compared with financial information because there are generally no accepted reporting principles and the data can take many different forms. It is often the case that this information is qualitative and can be difficult to measure and access. These difficulties should not limit the use of non-financial information because this kind of information might be very relevant to information users, whether citizens, investors or society at large.⁹

A Dutch project has defined non-financial information in the public sector as information that comprises all quantitative and qualitative data on the policy pursued, the business operations and results of this policy in the form of output or outcome, without a direct link with a financial registration system. As noted above, sustainability information is not solely non-financial information. Sustainability information may include financial information, although sustainability reporting practices show only little use of monetary values in disclosures.¹⁰ Sustainability information, however, always includes some non-financial elements.¹¹

For instance, an organization can measure and present information related to energy in financial terms referring to expenditure on energy. In non-financial terms it could be about carbon dioxide emissions where the distinction between energy gained from renewable and non-renewable sources also makes a difference (Figure 1). Some of the environmental factors are quite easily converted into financial terms. Other indicators, for example, attention to biodiversity and ecosystem services, might have consequences that are less easy to calculate in monetary terms. The same is often the case with social issues that could range from employee satisfaction to the number of women or ethnic minorities in management positions – issues that are difficult to express as, and often unnecessary to turn into, financial figures. It doesn't, however, mean that they would be less important.

Figure 1:
Examples of financial and non-financial environmental information

	Energy	Waste	Water	Procurements
Financial	Expenditure on transportation / heating	Disposal costs	Water bills	Price of purchases
Non-financial	CO ₂ tons (per person)	Waste in tons / number of collections / recycled waste	Water consumption (cubic meters)	Share of eco-labeled and fair-trade products

⁹ NIVRA (2009).

¹⁰ Guthrie & Farneti (2008).

¹¹ NIVRA (2008).

Unlike private sector companies, the main purpose of the public sector is not to create profit, but rather to produce public services and improve the welfare of the nation. Therefore, developing non-financial information and reporting about that seems an especially appropriate area for public sector organizations. One example of non-financial information is performance indicators that are used as a tool to measure success compared with strategic goals, such as the satisfaction rate of customers or the duration and quality of certain processes. Because many public sector organizations are managed with performance-based governance principles, the measurement of such non-financial data might already be a familiar practice.

Consequently, for sustainability to be measurable and reportable, performance indicators need to be chosen. For sustainability reporting to be meaningful, it needs to be connected to the strategy of an organization. Therefore, the indicators need to be relevant for the organization. There is a risk that the indicators chosen will not be the best possible ones with reference to sustainability. For example, the amount of recycled waste could be less important than whether the organization was able to reduce the creation of waste in the first place. In addition, it is important to remember that sustainability information is not only about minimizing negative effects (e.g. greenhouse gas emissions) and preventing negative issues (e.g. accidents having environmental or social implications). It is also about enhancing positive impacts, such as using more sustainable products or production methods, innovative new services, or increasing the wellbeing of employees.

Some of the essential elements of sustainability reporting compared with financial reporting are presented in Figure 2.

**Figure 2:
Differences between sustainability reporting and financial reporting**

	Emphasis in financial reporting	Emphasis in sustainability reporting
Time-scale	The reported year	Future orientation
Focus	Issues that organization directly controls	Wider sustainability impacts
Economic view	Material	Intangible
Data	Financial	Non-financial
Materiality	Financial significance	Any information that is significant to readers
Users	Shareholders and investors	Stakeholders



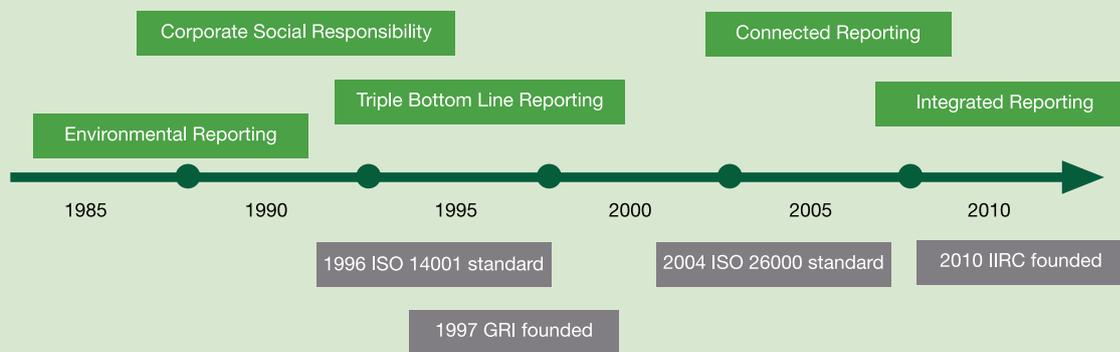
3.

DEVELOPMENT OF SUSTAINABILITY REPORTING

This chapter discusses the development of sustainability reporting since the 1980s. It describes how reporting has evolved from the production of environmental reports to broader reports that also cover social issues, as well as the different reporting frameworks and their initiators.

Sustainability reporting can be put into a continuum of developments since the 1980s (Figure 3).¹² In the late 1980s, the first voluntary environmental reports were published. Companies with environmentally sensitive operations, especially large polluters, started to develop sustainability reporting. This was done partly as a response to pressure from non-governmental organizations that criticised the power of multinational companies. This indicates the importance of sustainability reporting as a tool in communicating with stakeholders and managing business reputation. At the same time, the development of voluntary codes of environmental conduct and eco-auditing led to the development of environmental management systems (EMS) and the creation of standards, such as the ISO14000 standard series. The ISO 14001 standard, which provides requirements for environmental management systems, was first launched in 1996. The European Union soon launched its own Eco-Management and Audit Scheme, EMAS.¹³

Figure 3:
Developments in sustainability reporting: from single issue reports to holistic sustainability reporting.



Since the mid-1990s, sustainability reporting has developed in various directions. Companies with socially sensitive operations started to develop corporate social responsibility (CSR) reporting, which had some roots in earlier philanthropic movements. The European Union, for instance, currently defines CSR simply as “the responsibility of enterprises for their impacts on society”.¹⁴ One of the drivers of CSR reporting was concerns about labor conditions in supply chains that were becoming more complex at the same time that human rights and particularly the use of child labor had become concerns for consumers.

Sustainability reporting developments have taken different forms, one of them being triple bottom line (TBL) reporting, where the three dimensions are social, economic and environmental, or people, planet and profit.¹⁵ At the same time, global organizations supporting sustainability reporting were founded. One of them is the Global Reporting Initiative (GRI), which has developed a voluntary sustainability reporting framework.¹⁶ In addition, there are country-specific initiatives, such as Connected Reporting, developed in the United Kingdom,¹⁷ which aims to provide a new approach to corporate reporting and improve annual reports and accounts.

Sustainability reporting developments have taken different forms

¹² Ball (2004), Kolk (2011).

¹³ EMAS regulation requires conducting a report that is verified by a third party. http://ec.europa.eu/environment/emas/index_en.htm

¹⁴ European Commission (2011).

¹⁵ Elkington (1997).

¹⁶ www.globalreporting.org

¹⁷ www.accountingforsustainability.org

The social emphasis of sustainability is visible in the UN's Global Compact, which was launched at the turn of the millennium.¹⁸ It encourages businesses worldwide to adopt sustainable and socially responsible policies and to report on their implementation. It concentrates on the areas of human rights, labor, environment and anti-corruption. The OECD also has *Guidelines for Multinational Enterprises* that are recommendations by governments, aimed at providing voluntary principles for responsible business conduct.¹⁹ One example of changing concerns is that the 2000 update of these *Guidelines* added recommendations on the elimination of child labor and forced labor, and new chapters on combating corruption and consumer protection, whereas the 2011 update contained a new chapter on human rights.²⁰ Also, the attention paid to climate change issues is now more pronounced.

Another development was the launch of the ISO 26000 guidance for social responsibility in 2004. It is voluntary guidance and is not used as a certification standard unlike other ISO standards. According to the ISO 26000 guidance, the objective of social responsibility is to contribute to sustainable development. Social responsibility has the organization as its focus and concerns its responsibilities to society and the environment. According to ISO 26000, the core subjects of social responsibility are issues related to organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development. ISO 26000, however, notes that as society's concerns change, its expectations of organizations also change, and therefore the elements of social responsibility are liable to change.²¹

In addition to wider social and environmental reporting, the growing concern about climate change has made carbon reporting more popular. One example is the Carbon Disclosure Project, which has encouraged companies and cities around the world to measure and disclose their greenhouse gas emissions, climate change risks and water strategies.²²

Since the turn of the millennium, the number of more holistic sustainability reports has increased while the share of environmental reports has decreased.²³

The first reports labeled as "sustainability reports" were mostly single-issue reports that focused on environmental performance. The reason for this was partly the high priority given to environmental concerns and partly the difficulty in grasping the multidimensional concept of sustainability. Since the turn of the millennium, the number of more holistic sustainability reports has increased while the share of environmental reports has decreased. Even so, in many cases sustainability reporting practices have focused largely on environmental issues and eco-efficiency.²⁴

So far, sustainability reporting has taken many different forms. There are stand-alone reports that can be published annually or biannually. Alternatively, sustainability reporting can happen via a suite of reports that are also published online. Although currently it is most common for organizations to publish environmental or social information in separate reports, there are also approaches that combine them with the annual financial report.²⁵ This is reflected in the most recent and forceful development in the reporting field, the initiative of the International Integrated Reporting Council (IIRC), which is promoting the development and use of an integrated reporting framework. On the one hand, various developments indicate that there is a demand for sustainability reporting. This need has been expressed through many stakeholders who are developing sustainability reporting frameworks.²⁶ On the other hand, the variety of concepts, frameworks and actors has caused some confusion about concepts and even competition between developers of reporting frameworks.

In this paper, sustainability reporting is used as an overall concept referring to attempts to report on environmental and sustainability issues either in a separate report or integrated with the annual financial report.

¹⁸ www.unglobalcompact.org/AboutTheGC/

¹⁹ www.oecd.org/dataoecd/56/36/1922428.pdf

²⁰ OECD (2011).

²¹ ISO 26000 (2004).

²² www.cdproject.net

²³ Kolk (2011).

²⁴ ACCA (2010), Ball (2004).

²⁵ Eccles & Krzus (2010).

²⁶ www.theirc.org



4.

MOTIVATIONS FOR REPORTING ABOUT SUSTAINABILITY

The Global Reporting Initiative (GRI) defines sustainability reporting as a practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development.²⁷ (See Chapter 5 for more information on the GRI.) This reflects that, as most sustainability reporting is done on a voluntary basis, there are some important internal and external drivers for reporting (Figure 4). This chapter deals with those motivations both in private and public sector organizations.

Figure 4: Internal and external motivations for sustainability reporting

Internal motivations	Gain better information
	Improve risk management
	Improve performance
	Save resources and money
	Improve staff satisfaction
External motivations	Improve stakeholder communication
	Improve accountability and transparency
	Create a positive and trustworthy image
	In the public sector: Build trust in the public sector

4.1. PRIVATE SECTOR MOTIVATIONS

In the private sector, external reasons to disclose sustainability information deal mostly with stakeholder communication and providing transparency on risks, opportunities and performance, as well as establishing trust with stakeholders. The management of reputation is also an important motivation. Thus it is no surprise that the majority of the reporters are large companies and firms having severe environmental impacts. Traditionally, active reporters have come from sectors such as chemicals and pharmaceuticals, computers and electronics, automobiles, utilities, and oil and gas.²⁸ One indication of the investment perspective is the creation of socially responsible investment tools, such as the Dow Jones Sustainability Index that tracks the stock performance of companies in terms of economic, environmental and social criteria.

²⁷ GRI (2011).

²⁸ Kolk (2011).

Internal reasons for adopting sustainability reporting usually relate to improving an organization's performance.

Internal reasons for adopting sustainability reporting usually relate to improving an organization's performance. Reporting processes can help increase the quality of information, both by generating additional information that was not previously available and by improving the quality of existing data. Sustainability reporting helps to gather and organize this information and improve management systems and the quality of management information. Paying attention to sustainability can help to drive innovation, develop new market offerings and safeguard sustainable growth in the long run. Therefore, the process of producing a sustainability report can be a very valuable exercise for organizations internally.

Sustainability reporting can also improve organizations' ability to understand and manage sustainability-related risks and help them better anticipate changing societal expectations. The effective management of natural resources, for instance, affects current performance and the failure to plan for the future may risk future prospects. Further, reporting can act as a tool for leadership, increase employee satisfaction and make organizations attractive to new employees. Sustainability reporting can also improve the internal awareness of sustainability issues in the organization. This all helps organizations to reach better decisions and can enhance long-term financial prospects.

Sustainability reporting can be a tool to attain cost savings, because it encourages an organization to use natural resources more efficiently, improve process efficiency and use recoverable resources.²⁹ For example, paying attention to energy consumption and possible measures to reduce it can help to reduce energy bills and thus spending (Case 1). Indirect savings can occur, for instance, if the need to pay associated environmental taxes is reduced or through reduced insurance costs.³⁰

CASE 1: Brazilian audit on the rational use of natural resources

This case study illustrates how financial savings can be attained by paying attention to energy efficiency and water consumption. The economic benefits of sustainability policies are clearly shown by calculating the possible savings.

The Brazilian Court of Audit carried out an audit on the actions of the Federal Public Administration in order to promote the rational and sustainable use of natural resources, especially electricity, water and paper. The audit evaluated public organizations' adoption of the rules of public purchases regarding sustainability criteria.

The audit found that the central government had not given a clear direction to adopt actions to promote the sustainable use of natural resources. One of the consequences was great diversity in the promotion of measures of efficiency and sustainability in the federal public bodies. As a result, the adoption of actions with this purpose was mainly a consequence of some managers' individual efforts rather than because of government policy. Furthermore, it was noted that these programs were not well structured, nor carried out in an effective way, and available financial resources were not used in promoting energy efficiency in public buildings.

In addition, a low level of institutionalization in the management of sustainability was observed, and awareness-raising campaigns were not widely used. The audit also verified that 73% of the researched public bodies did not perform sustainable public tenders. Finally, it was noted that there was great potential for the sustainable use of natural resources in the federal sphere that had not been used.

The audit found that the public sector could potentially make an annual saving of 20% in electric power, which was equivalent to R\$ 240 million (US\$ 150 million) in 2009, and a saving of 22% in water, which would represent R\$ 67.5 million (US\$ 42 million) per year. Thus, with electric power and water alone there could be an annual economic saving of over R\$ 300 million (US\$ 190 million) per year.

²⁹ ISO 14 000 (2009).

³⁰ Defra (2006).

4.2. PUBLIC SECTOR MOTIVATIONS

Although the above-mentioned reporting motivations are largely gathered from the private sector, they are also relevant to public sector organizations. Efficient management of resources and reporting about that is important in the public sector too, and one of an auditor's essential concerns.

In addition, public sector organizations should be interested in sustainability reporting for improving performance and transparency, and better management of public resources and sustainability-related risks. Here, sustainability reporting can be one tool for increasing transparency in how public funds and assets are managed. Sustainability reporting can also help to better identify the state's liabilities.

The management of reputation through sustainability reporting in the public sector is closely related to public trust in government institutions. In the private sector, this is about lowering reputational risk and attaining positive publicity. For the public sector, moral and ethical reasons are more pronounced because of the public sector's role in safeguarding the common good or public interest. In particular, accountability and good governance play a critical role in the public sector, and sustainability reporting can help to support these goals.

Public agencies are important players in their own right and with their own sustainability impacts, and they are increasingly required to report on a range of environmental sustainability indicators (Case 2). They have a significant impact on economic activity and are responsible for the stewardship and use of substantial amounts of natural resources. Public sector agencies also have sustainability impacts through their procurement, for example. In many countries, local authorities play an important role in service delivery and land-use planning. As such, some public sector organizations are large entities and significant employers. Therefore, their operations and procurement practices can potentially have a large impact on sustainability issues. Reporting about these impacts, sustainability targets and improvements or declines, helps not only to increase transparency and accountability, but also to make sustainability matters more visible inside organizations.

CASE 2: Public sector environmental management in Australia: Better practice guide

This case study presents an example of guidance that has been developed in Australia to help public sector organizations to report on their sustainability performance.

Over recent years, there has been an increasing focus on improving the environmental performance of public sector entities, including growing expectations from governments and the community for more sustainable approaches to the delivery of goods and services. These requirements are, however, fragmented and currently based around individual areas, such as energy efficiency or waste. The Australian National Audit Office has developed a better practice guide to help Australian public service entities to meet and improve their environmental performance and reporting.³¹

The guide, which was published in April 2012, has been developed within the context of the Australian public sector's environmental management framework, which includes the legislative, regulatory and policy requirements that currently apply to the office-based operations. The guide focuses on six key operational areas, comprising: energy; Information and Communications Technology (ICT); waste; water; travel; and property management. The guide provides practical implementation advice, case studies and checklists, in addition to suggested performance indicators. To assist entities to comply with a broad range of policy and reporting requirements, the guide also includes a reporting calendar (see below). Information presented in the guide complements existing guidance material for meeting annual ecological sustainable development reporting requirements and for establishing an environmental management system. The guide aims to assist public sector entities to build their reporting capacity and better places entities to meet the proposed introduction of sustainability reporting requirements.

³¹ The guide, Public Sector Environmental Management: Reducing the Environmental Impacts of Public Sector Operations, is available on ANAO's website: www.anao.gov.au.

Figure 5:
An extract of the reporting calendar in the better practice guide developed by the Australian National Audit Office.

Due	Requirement	Format	Summary of requirements	Reporting items and units	Reporting period	Applies to
	Date Centre Optimisation Target Policy	Questionnaire completed in OSCAR	Energy consumption and utilisation of data centres	Power Usage Effectiveness (PUE) and served utilisation (% of usage)	Financial year	FMA Act agencies
	Green Vehicle Guide Target	Questionnaire completed in OSCAR	Vehicle fleet information and Green Vehicle Guide scores	For each three categories; Pool, Commercial and Executive vehicles Total vehicle (number); vehicles with GVG score above 10.5 (number)	Financial year	All FMA Act agencies and some CAC Act entities
	Green Lease Schedule	Questionnaire completed in OSCAR	Leasing arrangements	Total office leases signed in the previous financial year or held during the previous financial year that are > 2000 m ² and for lease term of 2 years or more and: <ul style="list-style-type: none"> • have a Green Lease Schedule (GLS) that stipulates a rating of 4.5 stars NABERS Energy (tenancy or tenancy and base building) • have an exemption from DCCEE to some GLS obligations 	Financial year	FMA Act agencies and some CAC Act entities
October	Environment protection and Biodiversity Conservation Act 1999 Section 516A	Entity's Annual Report	Entity's Annual Report Section 516A provisions (a) (b) Agency activities and outcomes in relation to ecologically sustainable development (b) (d) and (e) Environmental effects of agency operations, measures and mechanisms to reduce these impacts	Qualitative description of activities and outcomes towards ecologically sustainable development Qualitative information and quantitative figures, where possible, such as units of intensity and aggregate for energy, water, waste and transport	Financial year	All entities

The public sector, however, also has roles beyond those already discussed because it can require private sector companies or public agencies to report on their sustainability performance (Case 3). Moreover, governments themselves can act as investors and they can expect certain sustainability aspects to be fulfilled in their investments.³² Therefore, governments are sometimes seen as key players in promoting sustainability reporting.³³

³² See e.g. Norwegian Government Pension Fund www.nbim.no. Norges Bank Investment Management (NBIM) has published documents outlining its expectations for how the businesses it invests in should manage risks related to children's rights, climate change and water scarcity.

³³ E.g. Wensen et al. (2011).

CASE 3: Sustainability reporting in Swedish state-owned companies

This case study presents sustainability reporting requirements that Sweden introduced for state-owned companies.

In Sweden, there are 58 totally or partly state-owned companies, three of which are listed companies. In 2007, the Swedish Government decided, as part of an active ownership policy, that state-owned companies should present a sustainability report, in addition to an annual review, in accordance with Global Reporting Initiative (GRI) guidelines.³⁴

The objective was to create greater transparency with regard to how state-owned companies handle issues relating to social and environmental responsibility, while a further purpose was to accelerate changes in the companies' sustainability activities. The idea was that state-owned companies should act as role models when it comes to the environmental and social responsibility of organizations. A sustainability report can be a separate document or integrated into the annual report. In 2010, 92% of the state-owned companies published a sustainability report. Sustainability reports need to be quality-controlled by an independent auditor. Private auditing companies perform this task, although without any official "quality-label". In 2010, 94% of sustainability reports were quality-checked.

According to a study published in 2010, the introduction of the new active ownership policy affected the companies to varying degrees. The companies that lacked previous experience of sustainability reporting have gone through a more extensive process of change than those that were already submitting sustainability reports. The results show that the policy did improve procedures for reporting on sustainability issues but did not bring far-reaching changes in sustainability activities in practice. This case study indicates that reporting on sustainability issues seems, in the first instance, to strengthen and improve the reporting processes, whereas the next step, changes in practice, is a greater one.³⁵

Case 3 indicates that changing performance might not be an easy task. Nevertheless, a study on corporate reporting indicates that sustainability reporting not only increases transparency but also changes corporate behaviour. Disclosure on environmental, social and governance information seems to force companies to manage these matters more effectively. The study suggests that if regulators want companies to perform better on sustainability issues, then mandatory reporting could be a useful means to achieve this objective.³⁶

³⁴ The state-owned companies' sustainability reports have not been audited by the Swedish National Audit Office.

³⁵ Borglund et al. (2010).

³⁶ Ioannou & Serafeim (2012).



5.

REPORTING FRAMEWORKS

There are two important reporting frameworks: the Global Reporting Initiative (GRI) and the Integrated Reporting Initiative (IIRC).

As sustainability reporting has become more common, various reporting frameworks have been developed. This chapter presents in more detail two important reporting frameworks: the Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC). Special attention will be paid to the GRI public sector supplement because this is one of the few guidance frameworks created for public sector organizations. Examples of country-specific reporting frameworks are also presented.

5.1. GLOBAL REPORTING FRAMEWORK

Founded in 1997, one of the main developers of sustainability reporting has been the Global Reporting Initiative (GRI), which is a non-profit organization that promotes sustainability reporting. The GRI currently provides the most widely adopted sustainability reporting framework. The GRI's mission is to make sustainability reporting standard practice by providing guidance and support to organizations. Its reporting frameworks are developed with private sector business in mind. The GRI, however, emphasizes that public sector organizations can also use the same reporting principles. The GRI reporting framework provides flexibility to the reporters so that they can connect reporting to their strategic targets and sustainability impacts.

The GRI published the third version of its Guidelines (G3) in 2006. In 2011, the Guidelines were updated to G3.1, expanding guidance on local community aspects, human rights and gender.³⁷ The Guidelines cover both aspects of how to report and what should be reported. In practice, what seems to be difficult for reporters is to consider the topics that should be included in the report. This is related to the questions of which issues are material for the organization and can advance sustainability performance.

The first part of the Guidelines deals with report content. Principles of materiality, stakeholder inclusiveness, sustainability context and completeness provide help with this. The quality of reported information can be ensured with the principles of balance, comparability, accuracy, timeliness, reliability and clarity.

The second part of the Guidelines deals with standard disclosures that should be included in sustainability reports. This is divided into three types of disclosure:

- Strategy and profile, setting the overall context for understanding organizational performance and sustainability impacts.
- Management approach, covering how an organization operates, providing context for understanding performance in a specific area.
- Performance indicators, dealing with comparable information on the economic, environmental and social performance of the organization.

Performance indicators are classified as core and additional indicators. Core indicators are identified to be of interest to most stakeholders and assumed to be material, whereas additional indicators represent emerging practice or address topics that may be material to some organizations but not, generally, for a majority.

Economic performance indicators illustrate the flow of capital among different stakeholders and the major economic impacts of the organization throughout society. Environmental indicators reflect the inputs, outputs and modes of impact an organization has on the environment. Social indicators are divided into four subgroups. First, labor practices and decent work indicators deal with fair globalization, which aims to achieve both economic growth and equity through a combination of social and economic goals. Second, society performance indicators focus on the impacts that organizations have on the communities in which they operate, and how the organization's interactions with other social institutions are managed and mediated. Third, human rights performance indicators deal with the impacts and activities an organization has on the civil, political, economic, social and cultural human rights of its stakeholders. And finally, product responsibility indicators address the effects of products and services on customers and users. A detailed list of G3.1 indicators is provided in the Appendix. At the time of finalising this report in May 2013, GRI launched a new G4 version of the guidelines (<https://www.globalreporting.org/reporting/g4>).

³⁷ <https://www.globalreporting.org/resource/library/G3.1-Sustainability-Reporting-Guidelines.pdf>

³⁸ GRI (2005).

5.1.1 GRI public sector supplement

In 2005, GRI published a pilot version of the sector supplement for public agencies based on the previous G2 Guidelines.³⁸ It provides guidance on key aspects of sustainability performance that are relevant to government agencies.

The supplement identified three different types of information that public agencies can report:

- The broadest of them deals with macro-level information on the state of the environment or society, which could be information that the state might report as part of annual reporting.
- The second type of information deals with external public policies and implementation measures of the agency that relate to sustainable development and their performance. In other words, it deals with the agency's public policies for sustainable development (for example, the process by which sustainable development policies were prioritized, how related implementation measures were developed, and how progress is being monitored and measured).
- The third type of information is reporting on organizational performance, which can be reported through the use of performance indicators. This type of information illustrates the organization's internal policies and its role as a consumer and employer.

The public sector supplement asks organizations to describe their relationship to other governments or public authorities and to identify who is served by the public sector (for example, geographic jurisdiction or a specific user group). In the public sector, stakeholders mean not only business partners, local authorities and NGOs, but also other public agencies, the general public and various interest groups. When it comes to the governance structure of the organization, in the public sector this also includes relevant political and elected groups and appointed managers. In the stakeholder engagement category, public agencies should describe policies and systems to promote access to information by stakeholders.

In the public sector supplement, there are no new additions for environmental performance indicators compared with the general GRI Guidelines. When it comes to economic performance indicators, the supplement first adds financial inflows and outflows from the organization because public agencies collect public funds and redistribute these to deliver public goods and services. The indicators aim to identify how funds are used in order to see where an agency's direct and indirect impacts are likely to be greatest. The second area of difference is procurement practices and the manner in which the agency has incorporated environmental and social aspects into its decisions. Most public agencies have formal procurement policies that govern a significant portion of their expenditures, and the question is how these policies address sustainability issues.

With reference to social indicators, the public sector supplement deals with service quality standards and quality assurance systems. The supplement introduces administrative efficiency as a new social indicator. It describes the results of assessments of the efficiency and effectiveness of services provided by the public agency, including the actions taken to achieve improvements in service delivery.

5.1.2 The public sector supplement in practice

In 2012, the GRI database included almost 200 GRI reports of public agencies from various countries. Among these were government-owned enterprises, ministries, hospitals, army units, transport departments, port authorities and real estate corporations. According to the assessment that GRI published in 2010, public sector reports varied considerably and were mostly descriptive with little quantitative performance data. This makes it difficult to compare performance over time and between public agencies. Less than half of the public sector reporters had used the public sector supplement.³⁹

A literature review carried out by GRI on the public sector supplement showed that some of the GRI indicators and the wording of the Guidelines were considered not applicable to the public sector. It was, for instance, unclear whether the term "public agency" includes government-owned enterprises. The supplement was criticized for being too generic and not paying attention to the many organizational forms in the public sector, and not including enough sector-specific variables. Thus, the use of the supplement was fragmented and those that used the supplement chose to report only some of the indicators.⁴⁰

These problems are no surprise, since sustainability reporting has been developed for the private sector's needs. Therefore, some of the rhetoric related to sustainability reporting might be strange for public sector agencies because they are not acting in the same kind of competitive environment as companies.

³⁹ GRI (2010).

⁴⁰ GRI (2010).

Also some concepts used in the private sector might not be as meaningful in the public sector. One example is the concept of value chain, which is emphasized in the development of the next version of the GRI Guidelines (G4), which was under way at the time of writing this paper.⁴¹

In the public sector, the main motivations for sustainability reporting are transparency, accountability and good governance.

In the public sector, the main motivations for sustainability reporting are transparency, accountability and good governance.

As noted in the previous chapter, the public sector has special characteristics related to its responsibility for managing public funding, its legislative power as well as its responsibility for safeguarding the common good.

Governments also bear a certain responsibility for the private sector organizations operating in their area and influencing the state of the environment and society.⁴² Therefore, the frameworks developed for private companies do not necessarily easily cover all the public sector-specific features.

Furthermore, it is important to note that some criticize the application of private sector reporting to the public sector. Public sector organizations have been viewed as fundamentally different from private sector companies and public sector reporting should be advanced in a different way from current thinking in the private sector. While the private sector is driven by financial return, the public sector is driven by well-being, services and the promotion of the common good. The public sector is more linked to a geographical area, that is, a country, region or municipality, while the private sector is more interested in a specific supply chain.

The GRI public sector supplement is a pilot version but it was not finalized because there were not enough public sector organizations involved in its development. At the time of writing this paper, GRI's priority was in developing G4 for private companies. Apart from the GRI public sector supplement, there are no global initiatives that would support public sector reporting.

5.2. A MOVE TOWARDS “INTEGRATED REPORTING”

A new global initiative on integrated reporting takes a step further by suggesting that sustainability issues should not be dealt with separately from annual financial issues, but instead in an integrated report.

Although the GRI Guidelines are at the moment the most widespread reporting framework for sustainability reporting, a new global initiative on integrated reporting takes a step further by suggesting that sustainability issues should not be dealt with separately from annual financial issues, but instead in an integrated report. The focus of this initiative is on the reporting of large companies and the needs of their investors. Nonetheless, it is also interesting from the public sector perspective, because it might indicate some future directions – at least when it comes to the reporting of public sector-owned companies.

The International Integrated Reporting Committee (IIRC) is a joint initiative by organizations supporting sustainability reporting, including the GRI. It aims to develop a framework for reporting financial, environmental, social, and governance information in an integrated format. The founding of the IIRC in 2010 can also be seen as a way to tackle the confusion caused by having several organizations acting in the field.

Much of the motivation for integrated reporting comes from the shortfalls of current financial reporting in the private sector. According to the IIRC, traditional reporting was created for the industrial world and it focuses relatively narrowly on historical financial performance and is compliance driven. Because reports focus on financial and manufacturing capital, they fail to take into account other forms of capital including natural capital as well as intellectual, human and social capital. These issues might be presented in corporate responsibility reports or environmental reports but are separate from a company's accounts and often not integrated into business strategy decisions. The goal of the IIRC is to create a new global standard for integrated reporting that could help business by unifying the requirements that at the moment differ from country to country. In 2011, the IIRC published a discussion paper that considers the rationale behind the move towards integrated reporting

⁴¹ Other proposed significant changes are disclosure of management approach, changes in governance and remuneration disclosures, and disclosures on the supply chain.

⁴² ACCA (2010), Ball (2004), Ball & Grubnic (2007), Fawcett (2011).

⁴³ IIRC (2011).

The paper also lists reasons why governments might want to develop integrated reporting. These include increasing transparency and gaining better information for policy makers. Because integrated reporting supports better internal decision-making and long-term behavior, it can augment economic and market stability.

The core objective of the integrated reporting framework is to guide organizations on communicating in a clear and consistent way about a broader range of information that investors and stakeholders need. Integrated reporting calls for rethinking what information is needed to provide a clear, concise picture of performance, impacts and interdependencies. Thus, the IIRC does not call for more reporting, but better reporting in a single report.

Integrated reporting was attracting much attention at the time of writing this paper. In 2011, the IIRC launched a two-year pilot program to test the principles and practicalities of integrated reporting. Many large organizations that are currently reporting according to the GRI framework anticipate that in the years ahead there will be a decrease in the relevance of sustainability reports while at the same time an increase in the relevance of an integrated report.⁴⁴ The IIRC also anticipates that integrated reporting will ultimately become the primary report for all organizations. The focus of integrated reporting is on large companies and the needs of their investors. The IIRC, however, considers that if integrated reporting becomes more popular, it is likely to spread to medium-sized and even small companies, and the public sector.

It is important to remember that not only are the private and public sectors different, but also that the private sector is heterogeneous. Small- and medium-sized enterprises might interpret possible mandatory sustainability reporting frameworks as unwelcome top-down pressure. Research on global reporting standards suggests there has been some harmonization in sustainability reporting across companies from different countries, thus reducing the role of domestic reporting frameworks. Harmonization is, however, stronger for some issues than for others. More harmonization has taken place for community and employment issues, whereas rights issues and economic impact reflect domestic features more than global standards.⁴⁵

5.3. COUNTRY-SPECIFIC INITIATIVES

Frameworks for sustainability reporting can be developed within a particular country. This section presents three cases from different parts of the world. The first one deals with mandatory reporting requirements for the largest companies in South Africa (Case 4). The second presents how, in India, guidance for sustainability reporting has developed (Case 5). The third describes the Connected Reporting approach developed in the UK and its implementation in the public sector (Case 6).

CASE 4: Integrated reporting in South Africa's listed companies

In South Africa, a committee led by Professor Mervyn E. King has developed South Africa's corporate governance. In 1994, the first King Code developed an inclusive approach to governance, taking into account stakeholders' interests in the decision-making process. In 2002, the code was rewritten and sustainability reporting was emphasized. The third King Code (King Code III), which was introduced in 2009, requires that companies listed on the Johannesburg Stock Exchange issue an integrated report or explain why they are not doing so. This means that statutory financial information and sustainability information need to be presented in the integrated report and be prepared annually.

King Code III defines integrated reporting as a holistic and integrated representation of the company's performance in terms of both finance and sustainability. An integrated report should have sufficient information to record how the company has both positively and negatively impacted on the community in which it operated during the year under review, often categorized as environmental, social and governance (ESG) issues. Further, it should report how the company believes that in the coming year it can improve the positive impacts and eradicate or ameliorate the negative aspects.

King Code III recommends that the sustainability reporting and disclosure should be independently assured. The discussion paper released by the Integrated Reporting Committee of South Africa points out that developing the ideal integrated report will be a journey for many organizations and so will the extent and level of assurance. With time, material environmental, social, financial, economic, and governance issues could be covered with reasonable assurance.

⁴⁴ GRI (2012).

⁴⁵ Fortanier et al. (2011).

CASE 5: Sustainability issues in financial reporting in India

In India, the Ministry of Corporate Affairs released Voluntary Guidelines on Social, Environmental and Economic responsibilities of Business in July 2011, after considerable stakeholder consultation.⁴⁶ These are compatible with globally accepted guidelines on sustainability reporting for the corporate sector.

In 2011, the Government of India issued Sustainable Development Guidelines for Central Public Sector Enterprises (CPSE) for implementation from 2012. These stipulate how much, and how, CPSE should report on Corporate Social Responsibility. These Guidelines cover projects, activities, expenditure, documentation and monitoring of sustainable development initiatives. In the event that the CPSE is unable to adhere to the Guidelines, it has to inform its stakeholders about the aspects of the Guidelines it was unable to comply with, either partially or fully.

CASE 6: Sustainability reporting in the UK public sector

In the UK, the Accounting for Sustainability Project developed the Connected Reporting Framework for sustainability reporting, which encouraged both the private and public sector to produce a sustainability report.⁴⁷ The Framework suggests that reported information should explain the connection between delivery of the business' strategy and its financial and non-financial performance. A number of private and public sector organizations now follow the Connected Reporting approach in their sustainability reporting.

The Government has published guidelines on sustainability reporting for Central Government Organizations,⁴⁸ and from the 2011-12 financial year onwards, it has been mandatory for UK and English organizations to include a sustainability report within their Annual Report. The guidelines for reporting were developed in consultation with a number of stakeholders, including the Accounting for Sustainability Project and the National Audit Office. They follow many of the principles outlined in the Connected Reporting Framework, such as requiring organizations to report financial measures alongside each sustainability key performance indicator.

The reporting guidelines outline minimum reporting requirements, as well as provide examples of best practice and ways in which organizations may choose to report beyond what is mandatory. The requirements are for organizations to report an overview of sustainability performance and future plans. They must report sustainability data, as well as related expenditure, for their:

- greenhouse gas emissions (and associated energy use);
- waste minimisation and management; and
- use of finite resources.

Organizations are also required to provide commentary on how they are making their procurement more sustainable, and, where it is relevant, progress against their biodiversity strategy.

There is no requirement for central government bodies to have their sustainability reports independently assured. The guidance encourages organizations to implement their own internal assurance arrangements, addressing the recording and reporting of data; data quality assurance; the competence of relevant staff; and the internal control and validation of data.

⁴⁶ http://bcscd.teri.res.in/images/pdf/National_Voluntary_Guidelines_2011_12jul2011.pdf

⁴⁷ <http://www.connectedreporting.accountingforsustainability.org/> Accounting for Sustainability (2009).

⁴⁸ http://www.hm-treasury.gov.uk/frem_sustainability.htm#Public_Sector_Annual_Reports_Sustainability_Reporting_guidance_for_2011-12



6.

ASSURANCE OF SUSTAINABILITY REPORTS

For sustainability reports to be credible, the reliability of the reports is important. This is where auditing and providing assurance to reports becomes important. This paper deals next with assurance of sustainability reports, presents the most common assurance standards and discusses the early experiences as well as challenges related to assurance.

The relevance and reliability of sustainability information is closely linked to the credibility of sustainability reports. Assurance can be seen as a central element in holding important economic entities accountable to their stakeholders.⁴⁹ Besides contributing to the confidence of report users, assurance can provide important internal benefits for organizations concerning the quality of processes and disclosure.⁵⁰

Assurance on the reliability of sustainability information can be provided by an external auditor. In contrast to financial reports, where measurement, control systems and standards are sophisticated and assurance processes are well established, the assurance of sustainability reports is still developing and is mostly voluntary. A particular challenge is that the conventional accounting profession is often not able to deal with all sustainability information and the interdependence of social, environmental and economic issues, nor do accounting methods support this kind of approach.⁵¹

In some industry sectors, the assurance of sustainability reports started to increase in the mid to late 1990s. Nowadays, leading sustainability reporters have their reports assured. Formal assurance of sustainability reports is viewed as a general trend as reporting practices become more mature. For example, the GRI encourages external report assurance and has identified key qualities for external assurance, such as using independent auditors who are competent in the subject matter and assurance practices.⁵² In practice, both audit assignments and assurance statements vary a lot, as do sustainability reports.⁵³

6.1. ASSURANCE STANDARDS

There is, so far, no generally accepted standard for assurance of sustainability reports. Some countries have created their own standards (Case 7). Internationally, many accountants use ISAE 3000⁵⁴ (Assurance Engagements Other Than Audits or Reviews of Historical Financial Information) when undertaking assurance assignments on social responsibility or sustainability reports. ISAE 3000, published in 2005, has been written for professional accountants in public practice. It has two levels of assurance: “limited” and “reasonable”. Another standard, the AA1000 assurance standard,⁵⁵ published in 2003, provides a more specific framework for sustainability assurance and it is also used by non-accountants. AA1000 provides findings and conclusions on the current status of an organization’s sustainability performance and provides recommendations to encourage continuous improvement. It is not a certification standard that leads to pass or fail, but rather is designed to be used by organizations in different stages.

There is, so far, no generally accepted standard for assurance of sustainability reports

AA1000 assurance also has two levels. In the “type 1 assurance”, the assurance provider evaluates the nature and extent of the organization’s adherence to the three principles of participation of stakeholders, materiality, and responsiveness. This provides limited assurance related to the way an organization manages sustainability performance, and how it communicates this in a sustainability report. “Type 2 assurance” also evaluates the reliability of specified sustainability performance information. This information is selected based on the materiality determination and needs to be meaningful to the intended users of the assurance statement.

A comparison of the two standards shows that ISAE 3000 provides rigorous procedural guidance for undertaking an assurance engagement. In AA1000, the emphasis is on the relevance of the reported information for stakeholders. AA1000 goes further than ISAE 3000 in requiring that stakeholders are involved in determining the subject matter as well as suitable criteria for the report and the assurance engagement (Figure 6). So far, the ISAE 3000 standard is more commonly in use. Some suggest that the two standards are complementary.⁵⁶

⁴⁹ O’Dwyer & Owen (2005).

⁵⁰ ACCA (2009).

⁵¹ ACCA (2010).

⁵² <https://www.globalreporting.org/reporting/report-services/external-assurance/Pages/default.aspx>

⁵³ Deegan et al. (2006), CIPFA (2010), CPA Australia (2004), Kolk (2008).

⁵⁴ Created by International Auditing and Assurance Standards Board (IAASB).

⁵⁵ Created by AccountAbility.

⁵⁶ AccountAbility & KPMG (2005).

Figure 6: Characteristics of the most widely used assurance standards.

	ISAE 3000	AA1000
Focus	Procedural guidance	Relevance of reported information
Scope	Subject matter predetermined with reporter and assurance provider	Open-scope approach and stakeholder-based materiality
Users	Professional accountants	Professional accountants and also non-accountants

There are also other possibilities for providing assurance. In the GRI system, users were able to self-declare the extent to which the Guidelines have been used in their sustainability report because reporting organizations were asked to indicate how they have used the Guidelines and indicators. For this purpose, the GRI created an application-level check ranging from entry-level reporters to advanced ones. The GRI, however, might abandon this system because it has been seen as confusing maturity of reporting with the quality of reports. Application levels might be replaced in the G4 Guidelines by criteria that must be met for an organization to claim that the report has been prepared “in accordance with” G4.⁵⁷

Some companies have used expert or stakeholder panels to review and report on the completeness of their sustainability reporting, instead of or in addition to other assurance processes. Although such panels do not deal with verification of the data, they assist with ensuring that key aspects or areas are not left out of the report.⁵⁸ This can be a particular strength given that the reporting frameworks allow flexibility of sustainability reporting. Such flexibility might increase the temptation for reporters to cherry-pick performance indicators⁵⁹ and leave some essential information out of the report in order to make it look better (so called “greenwashing”). Panels can report their opinion both on the organization’s reporting and on whether organizations really implement things they report.

CASE 7: Dutch assurance standard relating to sustainability reports

This case study describes the assurance standard for sustainability reports developed in The Netherlands. It also discusses how assurance on sustainability matters results in extra requirements for auditors.

The Netherlands accountants’ organization has published a standard (3410N) for assurance engagements relating to sustainability reports. It applies to assurance engagements aiming to provide reasonable assurance (an audit engagement), and those whose objective is to obtain limited assurance (a review engagement), as well as hybrids of these two types. The standard is used in the assurance of private sector reports, but, so far, not in government organizations.

The standard points out that the knowledge, experience and skills required for the examination of a sustainability report often require multidisciplinary teamwork. As the choices of the reporting organization concerning the content of a sustainability report are more important than those in traditional reporting, the auditor needs to pay special attention to the consistency of these choices made by the reporting organization. It can make financial sense to omit certain topics from the audit. The engagement is subject to more professional and financial limitations, which requires their clear explanation in the assurance report. As relatively more information is qualitative, more emphasis will be needed for interviews, the assessment of the integrity of the company officers responsible for the information, and the assessment of compliance with codes of conduct.⁶⁰

⁵⁷ GRI (2012).
⁵⁸ CIPFA (2010).
⁵⁹ Guthrie & Farneti (2008).
⁶⁰ NIVRA (2007).

6.2. ASSURANCE IN PRACTICE

To date, external assurance of sustainability reports is mainly a large-company phenomenon. Around half of the world's 250 biggest companies had some form of third-party commentary on their sustainability reports, while 40% utilized formal assurance statements by an independent professional assurance provider. It is likely that the verification of sustainability data will become more common, although there are also companies that have stopped the verification they had done earlier.⁶¹

For the biggest global companies, the highest number of verified sustainability reports are from traditionally environmentally sensitive manufacturing industries as well as the banking and insurance sector.⁶² Studies have found that assurance statements vary a lot in terms of content and the types of assurance. The majority restrict themselves to assurance on specific information or data sets, and fewer cover the full corporate sustainability report.⁶³ Assurance providers are usually major accounting companies, the remainder being largely specialist consultants in the area of environment and sustainability. Some research suggests a shift away from large accounting firms to consultants specialized in sustainability matters.⁶⁴ Assurance statements vary, which limits the scope to compare them.⁶⁵

The IIRC discussion paper on integrated reporting also deals with assurance.⁶⁶ It states that if an integrated report is an organization's primary report, investors and other stakeholders will want that report to be subject to independent assurance. Moreover, the discussion paper notes that some information in an integrated report may be more difficult to assure than information disclosed under traditional financial reporting frameworks. According to the IIRC, this will require developing new techniques, standards and reporting mechanisms to support the assurance of integrated reports.

If integrated reporting were to become more common, it would mean that organizations' annual financial reports would increasingly contain sustainability information and some of this is non-financial in nature. It will be important for auditors to consider the extent to which the assurance of a financial report in its integrated version will also include the whole of the report (that is, also the sustainability information). It might also mean that the requirements for the competence of assurance providers need to be updated.

6.3. ASSURANCE OF PUBLIC SECTOR SUSTAINABILITY REPORTS

Although some see no specific issues that separate the public and private sectors when it comes to the assurance of sustainability reports,⁶⁷ others point out some differences. For instance, SAs' objective in financial auditing compared with the private sector is wider and the user of a public sector financial statement audit report looks at more extensive accountabilities than in the private sector. In the public sector, what matters more is information on policy and policy effects, which are often presented in the form of key figures and performance indicators.⁶⁸

If public sector organizations produce more sustainability reports, the question is whether these ought to be verified and by whom. Some ask whether public sector sustainability reports should be given any assurance at all. If SAs engage with assurance of sustainability reports, it is important that this is done in a high-quality manner. Some research has pointed out problems in approaches that emphasise management systems rather than representing commitment to external transparency and accountability.⁶⁹ Whatever SAs' opinion about assurance of sustainability reports, SAs can audit sustainability reporting from a compliance and performance perspective without directly providing assurance on reports. Some existing audit work on sustainability also offers perspectives on reporting practices (Case 8). SAs can also approach sustainability by auditing the implementation of sustainability strategies (Case 9).

If public sector organizations produce more sustainability reports, the question is whether these ought to be verified and by whom.

⁶¹ IIRC (2011), Kolk (2011).

⁶² Kolk & Perego (2010).

⁶³ Deegan et al. (2006).

⁶⁴ IIRC (2011), Kolk (2011).

⁶⁵ Kolk & Perego (2010).

⁶⁶ IIRC (2011).

⁶⁷ Holdsworth (2007).

⁶⁸ NIVRA (2008).

⁶⁹ Ball et al. (2000), O'Dwyer & Owen (2005).

CASE 8: Audit work on sustainability in local authorities' activities

The SAI of New Zealand, whose mandate also covers local authorities, has done some work on the sustainability performance of local authorities based on statutory requirements for local authority plans and reports. Every three years, local authorities in New Zealand are required to prepare, in consultation with their communities, long-term plans extending out at least ten years on their intended activities, including costs and how they will fund them. These plans provide a long-term focus for decision-making. The plans must take into account current interests of their communities, as well as the reasonably foreseeable needs of future generations. Local authorities then report annually on progress in implementing their plans, including how their activities affect the wellbeing of people in their districts. This can be seen as a form of sustainability reporting.

The SAI of New Zealand is required to audit these long-term plans and annual reports. This gives scope for the SAI to consider the extent to which local authorities are considering sustainability in their planning, reporting and activities, and to provide assurance to Parliament on this. The SAI of New Zealand reports on the results of the audit of long-term plans every three years, and audits disclosures in annual reports of the effect of local authority activities on the wellbeing of communities each year.

The SAI's report on the 2009 long-term plans contained a detailed analysis of how a sample of local authorities had addressed sustainability in their plans. The SAI noted that there was considerable "sustainability" language in the 2009 plans, indicating that local authorities were comfortable with the concept, but that there was room to improve by:

- discussing any trade-offs made for activities that affect community interests;
- being explicit about how the local authority's activities are maintaining and enhancing the environment;
- using performance management frameworks to measure the effect of activities on community wellbeing; and
- describing any efforts to improve corporate sustainability.

The SAI also undertakes related work as part of annual audits and performance audits of local authorities, including reporting to Parliament on steps that local authorities are taking to manage and reduce their greenhouse gas emissions and undertaking performance audits on sustainability topics such as planning for future drinking-water demand and managing the effects of land use on freshwater quality.

CASE 9: Auditing federal sustainability strategies

In Canada, a Federal Sustainable Development Act from 2008 requires the Minister of Environment to prepare a federal sustainable development strategy based on the precautionary principle. The strategy sets out federal sustainability goals, targets, and an implementation strategy as well as responsible ministers. Departments and agencies are required to develop sustainable development strategies of their own that comply with and contribute to the federal targets. The first federal strategy was due in June 2010 and the Minister of Environment is also obliged to table a progress report on strategy implementation in Parliament at least once every three years.

The Commissioner of the Environment and Sustainable Development in the Office of the Auditor General of Canada has three obligations under this Act:

- review a draft of the federal sustainable development strategy and comment on whether the targets and implementation strategies can be assessed;
- report annually to the House of Commons on the extent to which 28 federal government departments and agencies subject to the Act have contributed to meeting the targets set out in the federal sustainable development strategy and have met the objectives and implemented the plans set out in their own sustainable development strategies; and
- examine the progress report required every three years in order to assess the fairness of the information contained in the report.

To date, the Commissioner of the Environment and Sustainable Development provided comments in June 2010 about whether the targets and goals in the March 2010 draft federal strategy can be assessed.⁷⁰

⁷⁰ For further information on the current work can be consulted in: www.oag-bvg.gc.ca.



7.

KEYS TO SUCCESSFUL REPORTING

In order to be meaningful, sustainability reporting essentially needs to be embedded within the strategic objectives of an organization.

This final chapter presents some of the basic elements behind good sustainability reporting.

According to research and practical experiences, there are some prerequisites for successful reporting, which, if they are absent, can act as obstacles for reporting.⁷¹

In order to be meaningful, sustainability reporting essentially needs to be embedded within the strategic objectives of an organization. It should be used as a practical tool for improving transparency to stakeholders and improving performance. Leadership and executive commitment are often emphasized, but alongside the facilitation of bottom-up approaches. Understandable reporting language is also emphasized, as well as assurance, the need for appropriate key indicators, and using both qualitative and quantitative data. Moreover, sustainability reporting requires some information gathering and data collection systems. In some cases, insufficient data or its quality might be a major challenge. Despite the broad nature of the sustainability concept, many advise to keep reporting practices simple.

Many of the issues mentioned above are present in the criteria of awards schemes for sustainability that are promoting best practice for voluntary reporting. The motivation for setting up awards schemes is to promote sustainability reporting and to improve the quality of reporting (Case 10). As for companies, awards provide an opportunity to present their activities and to get positive publicity.

One problem in sustainability policies in general, including sustainability reporting practices, has been that they easily become very large in scope as more and more information is pumped into reports. This can lead to a reporting burden for reporting organizations and disclosure overload for report users.⁷² In ambitious practices, the amount of information included in the report can become significant. One alternative could be to focus on some important issues, where preferably the ecological, social and economic aspects meet. Another possibility is to make a conscious decision to concentrate, for instance, on the ecological dimension of sustainability. A key challenge is defining the scope and parameters that the sustainability report will cover and striking a balance between depth and readability for the reader.

⁷¹ Ball (2004), Holdsworth (2007), Hopwood et al. (2010), Fawcett (2011).

⁷² CIPFA (2010).

CASE 10: Sustainability awards in New Zealand, North America and Finland

There are several awards schemes for sustainability reports, which are judged by different stakeholders and expert groups. This case study presents some of the country-specific and regional awards and discusses recent trends in sustainability reporting based on these awards.

In New Zealand, the Institute of Chartered Accountants issues an annual award for the best sustainability report. The criteria cover:

- first, report content such as relevance and materiality, stakeholder responsiveness and sustainability context (50%);
- second, report quality (35%); and
- third, the company's sustainability commitment and credibility (15 %).

For example, in 2009, the award was given to Watercare Services, a council organization owned by the Auckland City Council. The jury appreciated the integration of sustainability questions into strategic management, continuous improvement, existence and benchmarking of performance indicators, targets for the future and also improved presentation of information including graphics.⁷³

The North American Awards for Sustainability Reporting is awarded by Ceres⁷⁴ and the Association of Chartered Certified Accountants (ACCA). Award criteria include:

- completeness, which covers areas of materiality, stakeholder inclusion, strategy and organizational context (40 %);
- credibility, which covers areas of management process, stakeholder inclusion, governance, performance data, and assurance (35%); and
- communication (25%).

In 2009, the Ceres-ACCA award was given to SAP, a software manufacturer, in the sub-group "Commendation for Innovative Use of Web and Social Media". The SAP report included an interactive materiality matrix, which invited readers to submit their own materiality analysis for the company and to view how the aggregate community feedback compares with SAP's own assessment.⁷⁵ The jury thus appreciated involving interest groups in assessing the company's report.⁷⁶

The procedure for making annual awards gives an insight into the trends in sustainability reporting. In Finland, the annual sustainability reporting award has been running since 1996. In 2001, the focus shifted from environmental reporting to social responsibility. The award concentrates on the quality of reporting but does not judge the business' social responsibility.

For example, recent results in Finland show that integrated reporting combining annual reporting and sustainability reporting has become more common as has the assurance of reports. Materiality that focuses on what is deemed important to the organization, as well as dialogue with stakeholders have improved. Climate issues have been among the most reported issues, and energy efficiency is more common than material efficiency. One area that still needs development is responsible management practices.⁷⁷

⁷³ http://www.nzica.com/sitecore/shell/Controls/Rich%20Text%20Editor/~/_media/NZICA/Docs/About%20us/Awards%20and%20scholarships/2010%20Leadership%20Awards/ARA09_judges_comments.ashx; <http://www.watercare.co.nz/about-watercare/reports-and-publications/Pages/default.aspx>

⁷⁴ Ceres is a non-profit organisation that advocates for sustainability leadership. See www.ceres.org.

⁷⁵ <http://www.sapsustainabilityreport.com>.

⁷⁶ <http://www.ceres.org/awards/reporting-awards>

⁷⁷ <http://www.ymparisto.fi/default.asp?contentid=19869>



8.

DISCUSSION: SUSTAINABILITY REPORTING AND THE SUPREME AUDIT COMMUNITY

This paper has introduced sustainability reporting developments and practices to inform public sector auditors. Reporting frameworks and practices are continuously developing and therefore this paper can only provide an overview of the evolving issue. As sustainability reporting in the public sector is an emerging area, the topic will need to be updated.

Further development of sustainability reporting seems inevitable. Just to name two examples, the Rio+20 outcome encouraged companies to consider integrating sustainability information into their reporting cycle.⁷⁸ As another example, the Federation of European Accountants anticipates that sustainability reporting will in the future be as established as financial reporting is now.

Up to now, sustainability reporting has been a phenomenon associated with large private companies in developed countries. However, one future tendency is that sustainability reporting will spread to non-OECD and, especially, emerging economies. Because, up until now, developed countries have been the most influential in the debate on international reporting standards, the shift to other countries might also lead to some substantial changes in reporting practices. Researchers also foresee a stronger role for the state in its regulatory role to ensure a minimum level of disclosure, and gradual integration – resulting in a combination of corporate governance, financial and sustainability reporting into one integrated reporting format.

This paper argues that sustainability reporting has many positive implications because better reporting helps to increase the quality of decision-making. In other words, good sustainability reporting contributes to better management and governance. Reporting, as such, is not enough, unless it facilitates improvements in sustainability matters. Sustainability reporting has a large potential for raising environmental and social concerns to the core processes of organizations. In relation to good governance (that is, the transparency of institutions and processes), sustainability reporting has much to offer for both the private and public sectors. Sustainability reporting can thus help to increase the effectiveness of public sector governance. Since, for example, environmental concerns and efficiency often go hand in hand, sustainability reporting has large potential to facilitate cost-savings and efficiency.

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matters.*

Experiences from the private sector on sustainability reporting and assurance, and emerging examples from public sector reporting, are interesting for public sector auditors. Sustainability reporting and integrated reporting have spread in recent years in the private sector, and it seems probable that similar development will take place in the public sector as well. Taking into consideration the relatively rapid evolution in the sustainability reporting field, it is advisable that SAIs keep an eye on developments in the reporting and assurance field. Moreover, as the IIRC is pushing for harmonization of reporting requirements, it might be wise for governments as well as SAIs to be aware of the current developments, especially if reporting requirements are added to national legislation.

The role of assurance is likely to be increasingly important if integrated reporting becomes more common. This is when SAIs will face the question about their role regarding auditing and giving assurance to public sector reports.

At the same time, there are organizations pushing for mandatory reporting requirements. Research suggests that global standards and guidelines not only increase the level of sustainability reporting but also encourage the harmonization of reporting between different countries, therefore reducing the role of domestic institutions.⁷⁹ If national legislation is being created or revised, it is useful for SAIs to be aware of developments in the reporting field and best practices. On the one hand, it is important that any new requirements are consistent with national policy requirements and legislation. On the other hand, there would be many benefits if national frameworks and requirements were at least somewhat consistent with international developments. This would help to avoid overlapping arrangements and efficiency losses that could lead to frustrating practices. One important role of SAIs could be to assess suitability of the proposed reporting frameworks in their country.

⁷⁸ UN (2012).

⁷⁹ Fortanier et al. (2011).

If sustainability reporting requirements are extended to public sector organizations, it is important that these address the specific nature of public sector organizations compared with private ones. SAIs could communicate that it is important that the public sector develops sustainability reporting systems that are meaningful for public entities. This is also where INTOSAI could have a role as international standards are created. INTOSAI WGEA should also monitor developments and consider engaging with international standard setting.

What is also important is that reporting frameworks or requirements will not be too complicated and reporting can be integrated into organizations' normal management systems. SAIs' independence and professionalism allows them to act as neutral organizations assessing the suitability and effectiveness of reporting frameworks in their countries. Sustainability reporting has the potential to provide coherence in reporting practices and to add value to society as a whole.

Measuring sustainability is not an easy task, and neither is the verification of sustainability information. Although traditional financial auditing is prepared to deal with accounting systems, processes and controls, to substantially analyze sustainability data and provide assurance on sustainability reports might require setting up teams of experts with different backgrounds. Particularly important here are knowledge of the methods used in performance auditing and environmental auditing. Besides auditing guidelines and subject matter, it might be good if auditors are also knowledgeable about stakeholder engagement processes.⁸⁰ However, it should be emphasized that auditors' difficulties in dealing with sustainability information should not be a reason to prevent sustainability reporting.

SAIs will likely need to build up capacity related to sustainability and addressing sustainability issues in audit work. If sustainability reporting is introduced with expectations of assurance of sustainability reports, individual SAIs will need to consider their capacity and ability to undertake assurance work. INTOSAI could have a role in providing some training and best practices if new professional expectations for assurance work are emerging. If sustainability reporting were to increase in the public sector and SAIs decided to provide assurance on sustainability reports, INTOSAI WGEA might wish to consider helping SAIs by providing guidance and sharing best practice.

Some SAIs might also consider developing their own sustainability reporting. Here, international standards and frameworks, some of them presented in this paper, can give some tips and models for practical work. One of the strengths of sustainability reporting is linked to the building of transparency and trust, and, at the same time, accountability, which are important both for individual SAIs as well as public sector organizations as a whole.

One of the strengths of sustainability reporting is linked to the building of transparency and trust, and, at the same time, accountability.

⁸⁰ Adams & Evans (2004).



9.

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APPENDIX.

GRI PERFORMANCE INDICATORS ACCORDING TO G3.1. GUIDANCE

ECONOMIC PERFORMANCE INDICATORS*

ASPECT

Economic Performance	<ul style="list-style-type: none"> • Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. • Financial implications and other risks and opportunities for the organization's activities due to climate change. • Coverage of the organization's defined benefit plan obligations. • Significant financial assistance received from government.
Market Presence	<ul style="list-style-type: none"> • Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation. • Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. • Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.
Indirect Economic Impacts	<ul style="list-style-type: none"> • Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. • Understanding and describing significant indirect economic impacts, including the extent of impacts.

ENVIRONMENTAL PERFORMANCE INDICATORS

ASPECT

Materials	<ul style="list-style-type: none"> • Materials used by weight or volume. • Percentage of materials used that are recycled input materials.
Energy	<ul style="list-style-type: none"> • Direct energy consumption by primary energy source. • Indirect energy consumption by primary source. • Energy saved due to conservation and efficiency improvements. • Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. • Initiatives to reduce indirect energy consumption and reductions achieved.
Water	<ul style="list-style-type: none"> • Total water withdrawal by source. • Water sources significantly affected by withdrawal of water. • Percentage and total volume of water recycled and reused.
Biodiversity	<ul style="list-style-type: none"> • Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. • Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. • Habitats protected or restored. • Strategies, current actions, and future plans for managing impacts on biodiversity. • Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.
Emissions, Effluents, and Waste	<ul style="list-style-type: none"> • Total direct and indirect greenhouse gas emissions by weight. • Other relevant indirect greenhouse gas emissions by weight. • Initiatives to reduce greenhouse gas emissions and reductions achieved. • Emissions of ozone-depleting substances by weight. • NO, SO, and other significant air emissions by type and weight. Total water discharge by quality and destination.

* Indicators marked in black are core indicators that are assumed to be material to all organizations, and those marked in green, additional.

ASPECT

Emissions, Effluents, and Waste	<ul style="list-style-type: none"> • Total weight of waste by type and disposal method. • Total number and volume of significant spills. • Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. • Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.
Products and Services	<ul style="list-style-type: none"> • Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. • Percentage of products sold and their packaging materials that are reclaimed by category.
Compliance	<ul style="list-style-type: none"> • Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.
Transport	<ul style="list-style-type: none"> • Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.
Overall	<ul style="list-style-type: none"> • Total environmental protection expenditures and investments by type.

SOCIAL PERFORMANCE INDICATORS

Labor Practices and Decent Work Performance Indicators

ASPECT

Employment	<ul style="list-style-type: none"> • Total workforce by employment type, employment contract, and region, broken down by gender. • Total number and rate of new employee hires and employee turnover by age group, gender, and region. • Benefits provided to full-time employees that are not provided to temporary or parttime employees, by significant locations of operation. • Return to work and retention rates after parental leave, by gender.
Labor/Management Relations	<ul style="list-style-type: none"> • Percentage of employees covered by collective bargaining agreements. • Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.
Occupational Health and Safety	<ul style="list-style-type: none"> • Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. • Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender. • Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. • Health and safety topics covered in formal agreements with trade unions.
Training and Education	<ul style="list-style-type: none"> • Average hours of training per year per employee by gender, and by employee category. • Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. • Percentage of employees receiving regular performance and career development reviews, by gender.

ASPECT

Diversity and Equal Opportunity	<ul style="list-style-type: none">• Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.
Equal remuneration for women and men	<ul style="list-style-type: none">• Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.

SOCIAL PERFORMANCE INDICATORS

Human rights performance indicators

ASPECT

Investment and Procurement Practices	<ul style="list-style-type: none">• Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.• Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.• Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.
Non-discrimination	<ul style="list-style-type: none">• Total number of incidents of discrimination and corrective actions taken.
Freedom of Association and Collective Bargaining	<ul style="list-style-type: none">• Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.
Child Labor	<ul style="list-style-type: none">• Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.
Forced and Compulsory Labor	<ul style="list-style-type: none">• Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor.
Security Practices	<ul style="list-style-type: none">• Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.
Indigenous Rights	<ul style="list-style-type: none">• Total number of incidents of violations involving rights of indigenous people and actions taken.
Assessment	<ul style="list-style-type: none">• Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.
Remediation	<ul style="list-style-type: none">• Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.

SOCIAL PERFORMANCE INDICATORS

Society performance indicators

ASPECT

Local Communities	<ul style="list-style-type: none"> • Percentage of operations with implemented local community engagement, impact assessments, and development programs. • Operations with significant potential or actual negative impacts on local communities. • Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.
Corruption	<ul style="list-style-type: none"> • Percentage and total number of business units analyzed for risks related to corruption. • Percentage of employees trained in organization's anti-corruption policies and procedure. • Actions taken in response to incidents of corruption.
Public Policy	<ul style="list-style-type: none"> • Public policy positions and participation in public policy development and lobbying. • Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.
Anti-Competitive Behaviour	<ul style="list-style-type: none"> • Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.
Compliance	<ul style="list-style-type: none"> • Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.

SOCIAL PERFORMANCE INDICATORS

Product Responsibility Performance Indicators

ASPECT

Customer Health and Safety	<ul style="list-style-type: none"> • Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. • Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.
Product and Service Labeling	<ul style="list-style-type: none"> • Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. • Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. • Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.
Marketing Communications	<ul style="list-style-type: none"> • Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. • Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.
Customer Privacy	<ul style="list-style-type: none"> • Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.
Compliance	<ul style="list-style-type: none"> • Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.

www.environmental-auditing.org