

Environmental, social and governance reporting

Ideas for you to help smaller charities

Think Ahead

ACCA

Public benefit is at the heart of what charities are about, and nurturing and caring for the planet can be a part of caring for people. Environmental, social and governance (ESG) reporting forms part of a broader canvas of sustainability reporting, and its growing popularity is part of humanity's response to the climate degradation that many argue has been caused by our own activities. ESG reporting is intended to demonstrate stewardship of the planet and to provoke a change in behaviour towards better stewardship.

In this article I look at how trustees of smaller charities can start on their own journey of ESG reporting as part of their charity's story about the difference made and the public benefit of their charity's activities. Smaller charities are those defined by the Charities Statement of Recommended Practice (SORP) as having an income of £500,000 (€500,000) or less.

ESG reporting is helpfully defined in the UK government publication, [Greening Finance: A Roadmap to Sustainable Investing](#) (October 2021). It sets out four areas for ESG reporting. These are: governance, strategy, risk management, and metrics and targets.

Put simply, ESG reporting is about showing a considered approach to stewardship (governance), care for people (social), and care for place (environmental).

Stewardship involves the careful use of financial and non-financial resources and care being taken in minimising harms such as causing pollution. Looking at each heading in turn, consideration is given to the things you might already be doing, the things that might be good to do, and to report on both.

Under each heading, suggestions are made to prompt your own thinking; these suggestions are simply examples and are not exhaustive. Using the trustees' annual report to witness what you are doing and plan to do is telling your story about caring and nurturing both community and planet. The world won't know unless you tell the story. Those charities following the Charities Statement of Recommended Practice (SORP) may choose alternative SORP headings under which to report on ESG.

Governance – 'around sustainability-related risks, opportunities and impacts'

Put another way:

- in your decision-making as trustees, are you mindful of your charity's impact on people and the planet in how you go about your work and activities?
- what you might already be doing – having a conversation as trustees about how the activities that are undertaken to care for people make a positive difference to their lives and to care for the locality in which you are working
- what you might consider doing – building into decision-making processes more explicitly the impact on people and community of your approach to employing people, offering volunteering opportunities and in placing work and purchasing decisions. Having a lead trustee or team member to research sustainability issues more fully and bring back ideas for developing your charity's approach to sustainability. Including the wider impact on those benefiting from your charity's work in terms of their mental, emotional and physical wellbeing as part of your planning. Actively

reviewing the use and maintenance of buildings, vehicles and equipment with a view to reducing environmental impact and waste and enhancing recycling

- where to report it – all charities have to report on public benefit and so this governance reporting might fit well here.

Strategy – ‘actual and potential implications of sustainability-related risks, opportunities and impacts for the organisation’s businesses, strategy, and financial planning’

Put another way:

- in your decision-making as trustees, how far has your thinking been put into practice in ways of doing things (your policies, whether written or not) and activities that are mindful of the impact on people and the planet? In what way does this thinking affect your charity’s work?
- what you might already be doing – in maintaining your building and equipment, you might be making energy-efficient choices, deciding to use water-saving technology, offering space for a foodbank that helps avoid food waste and relieves poverty, recycling, hosting second-hand clothes or book exchanges. In working with others, your procurement policy might look to all contractors offering a living wage and, if sourcing from large companies, checking that those companies in their directors’ report (accessible for free online via Companies House) also report on human rights and environmental impact, and make the required modern slavery statement about their ‘supply chain’
- what you might consider doing – policy switch to buying more from local businesses to benefit the local community, offering apprenticeships if employing staff and enhanced training to your own staff and volunteers, deciding to replace petrol or diesel vehicles with fully electric ones and/or install charging points, planning major building renovations to be better insulated and efficient. If making grants abroad, looking to build in conditions in your grant awards about the use of those funds by the recipient that ensure local community improvement such as using locally sourced materials, local craftspeople or local suppliers
- where to report it – all charities have to report on public benefit and so reporting might fit well here but larger charities reporting under the SORP might prefer to report under a separate structure, governance and management and future plans sections.

Risk management – ‘processes used to identify, assess and manage sustainability-related risks, opportunities and impacts’

Put another way:

- having brought sustainability considerations into your thinking, what processes have been put in place to identify the implications for the way your charity does things?
- what you might already be doing – checking insurance cover for flood-risk cover, having a policy of reviewing staff salaries, induction and training policies for staff and volunteers, considering the financial impact of buildings and equipment maintenance and renewal
- what you might consider doing – aside from having insurance cover, you might be planning to take steps to mitigate flood damage to buildings through enhanced land drainage. In offering facilities or support to the community, you might engage with your beneficiaries to consider the sustainability impacts on their lives and locality from your work and approach to grant-making. Consideration of the impact of local city clean-air initiatives on your use of vehicles, or choosing to ‘click and collect’ and combine orders in preference to placing multiple small orders for delivery and thereby reducing road miles and pollution

- where to report it – all charities have to report on the main activities for the public benefit so reporting might fit well here, but larger charities reporting under the SORP might prefer to report under a separate risk-management section.

Metrics and targets – ‘used to assess and manage relevant sustainability-related risks, opportunities and impacts’ and ‘performance against targets’

Put another way:

- having considered the impact, how do you routinely go about identifying what is happening and the difference that you are making?
- what you might already be doing – in actively recycling, you might have a record of items recycled and records of reduced consumption of electricity, gas or water per hour of operations. You might be able to report on hours of staff and volunteer training undertaken, and confirm that pay levels match or exceed the living wage for your area. In your community work, you might report on initiatives of wellbeing in terms of contact hours with the elderly, education of children or people supported through a hosted service such as a food bank, including the volume of meals or food supplied
- what you might consider doing – monitoring vehicle miles with a view to reducing these in a way that causes a genuine reduction in overall pollution from your charity’s work, looking at the impact of replacing equipment and vehicles in a holistic way that takes into account the full carbon impact on the environment, or embracing the carbon reporting already required of larger companies and monitoring improvement against those measures (see SORP Information Sheet 5). When making grants, monitor the life improvement of beneficiaries using a relevant indicator such as changes in educational attainment, income, quality of housing or their wellbeing survey score
- where to report it – all charities have to report on the main activities for the public benefit so reporting might fit well here, but larger charities reporting under the SORP might prefer to report under a separate achievements and performance section.

Trustees might be concerned whether charity law permits them to take sustainability considerations into account. There is some reassurance here. Guidance issued by the Charity Commission for England and Wales – [Environmental responsibility for charities](#) (May 2013) – notes that in many instances, charities can include environmental activities in their work without explicit environmental objects provided it is in the best interests of a charity. The Office of the Scottish Charity Regulator, in [Charity investments: guidance and good practice](#) (November 2018), recognises a link between social and environmental considerations and charity investment decisions.

In closing, remember it’s your report and your choice. Except for the largest charitable companies, elements of ESG reporting are not yet a requirement, but why wait for it to become one when you can be recognised for the contribution you are already making to the care of people and planet?

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