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# RSM

## Communicating Impact – a step by step guide for reporting on your charities Environmental, Social, and Governance performance



13 June 2022

# Agenda

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1. Introduction to ESG reporting
2. 'What does ESG mean for the charities sector' findings
3. Practical steps to get started
4. Best practice ESG disclosures



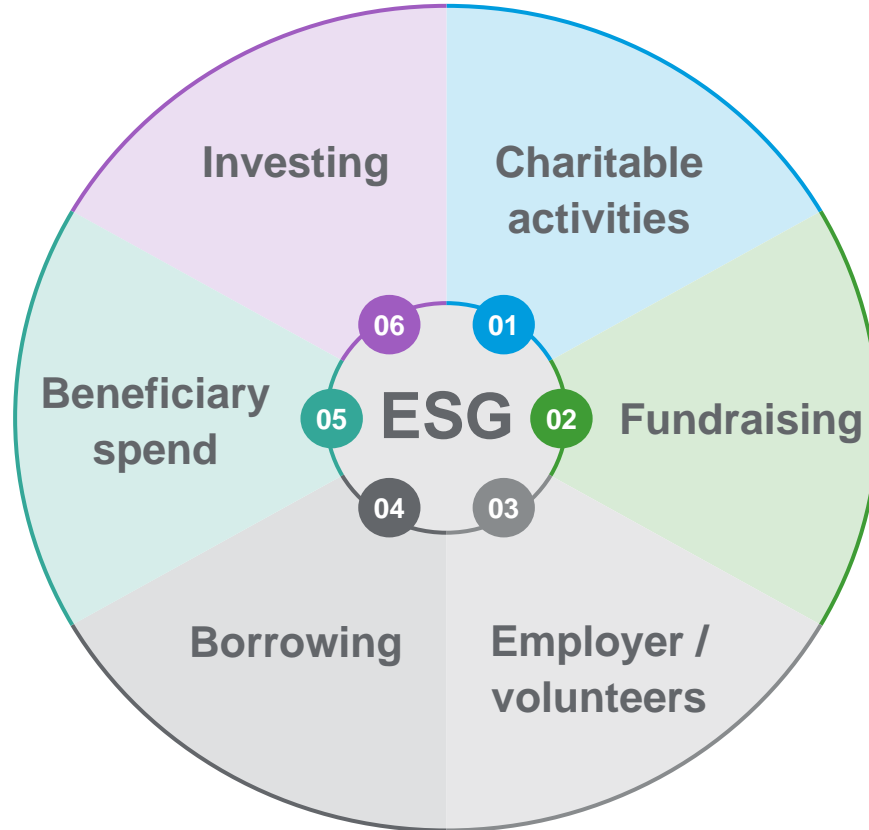
# Introduction to ESG reporting

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01



# ESG – broader than investment



# UK Financial Reporting Implications

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1

Streamlined Energy Carbon Reporting (SECR)

A reporting framework to encourage implementation of energy efficiency measures, with both economic and environmental benefits.

2

Gender pay gap reporting

For employers with more than 250 employees, requirements to report on gender pay gap, including percentage receiving bonus pay.

3

Ethnicity pay gap reporting

Women and Equalities Committee of MPs at the UK parliament recommended ethnicity pay gap by April 2023. Ethnicity pay gap reporting laws to include action plan alongside data.

# Sustainable Development Goals



Source: [United Nations](#)

# Why is it so important for charities?

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1. Charity is an institution for charitable purposes subject to High Court's jurisdiction
2. Charitable purposes defined in Charities Act 2011 and for public benefit
3. There are two aspects of public benefit:
  - a. **public aspect** (general public or sufficient section of public; no incidental benefit); and
  - b. **benefit aspect** (purpose is beneficial and no detriment or harm outweighing the benefit).
4. For example, public benefit is tackling climate change as failing to do so threatens life on earth (detriment and harm)

# Charity Governance Code and Charity SORP

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## From Charity Governance Code

1.5.3 The board recognises its **broader** responsibilities towards communities, stakeholders, wider society and the environment, and acts on them in a manner consistent with the charity's purposes, values and available resources.

## From Charities SORP (FRS102)

1.4.2 The report should provide a **balanced** picture of a charity's progress against its objectives. For example, it may explain progress by reference to the indicators, milestones and benchmarks the charity uses to assess the achievement of objectives.



# 'What does ESG mean for the charities sector' findings?

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# 02



# Background to research



'E' Environmental



'S' Social



'G' Governance



Management of ESG

We tracked:



**114**  
CHARITIES



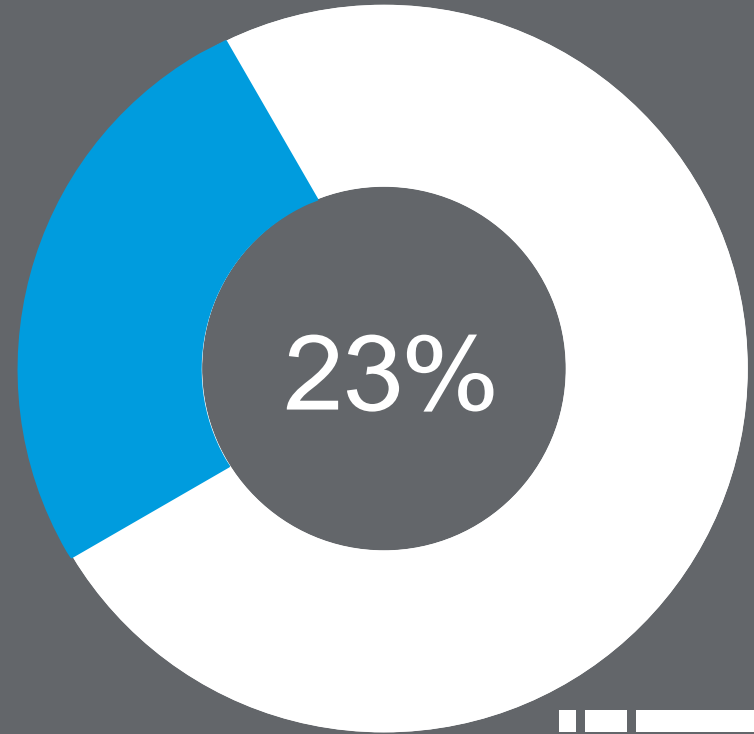
ACROSS:  
ENGLAND  
SCOTLAND  
WALES  
NORTHERN IRELAND

Download the **full** report: <https://www.rsmuk.com/charities-esg>

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# Specific ESG focus

Of the charities we analysed, none included a section specifically labelled ESG in either their website or annual report. 23 per cent of charities did include a section referencing activity that falls under the ESG umbrella. These sections covered a range of topics demonstrating the breadth of opportunity for charities to engage with ESG.

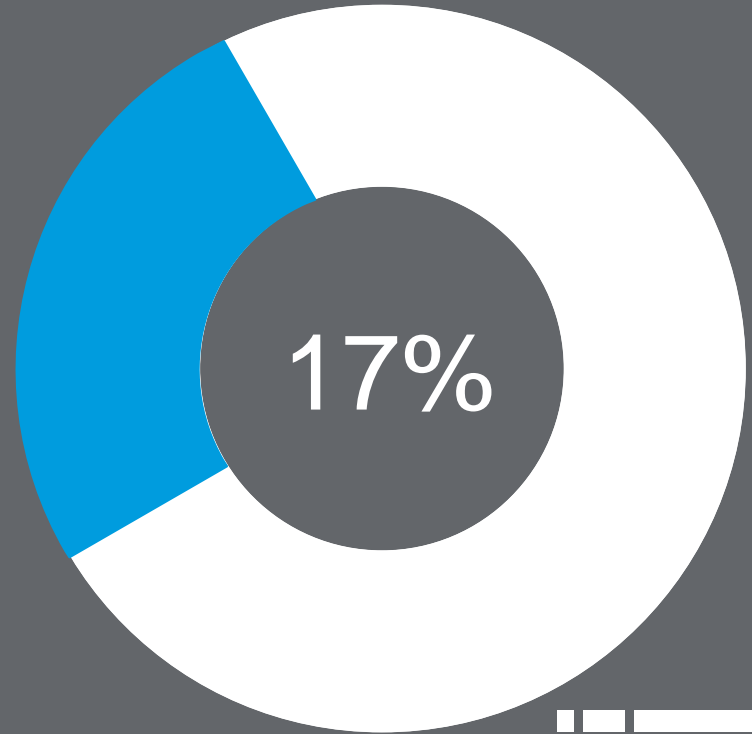


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# Environmental reporting

A high take up of charities (all but one) with an income of more than £36m including carbon reporting in their annual report.

intended to encourage the implementation of energy efficiency measures, with both economic and environmental benefits.

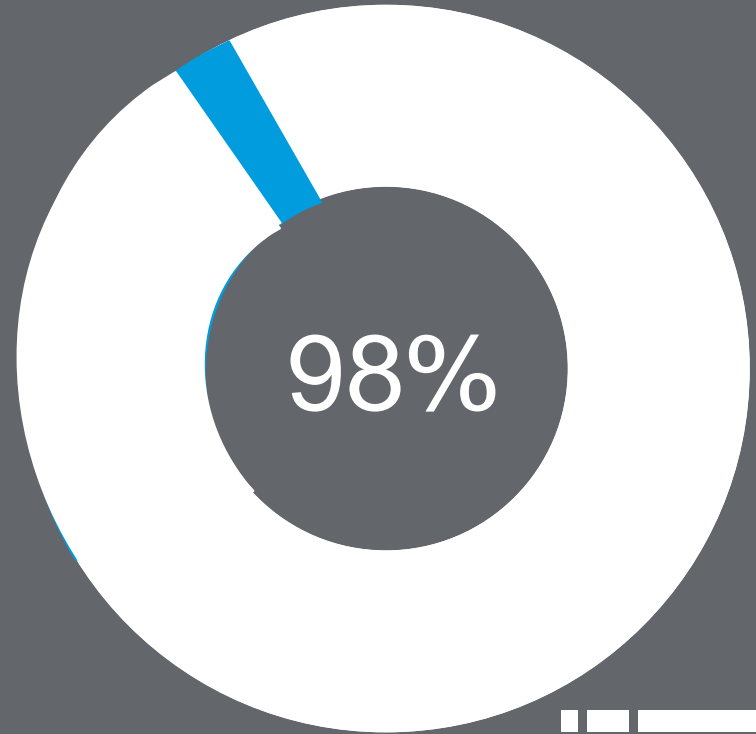


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# Public benefit reporting

In **England and Wales** 98 per cent of charities stated that their organisation met public benefit requirements within their annual report.

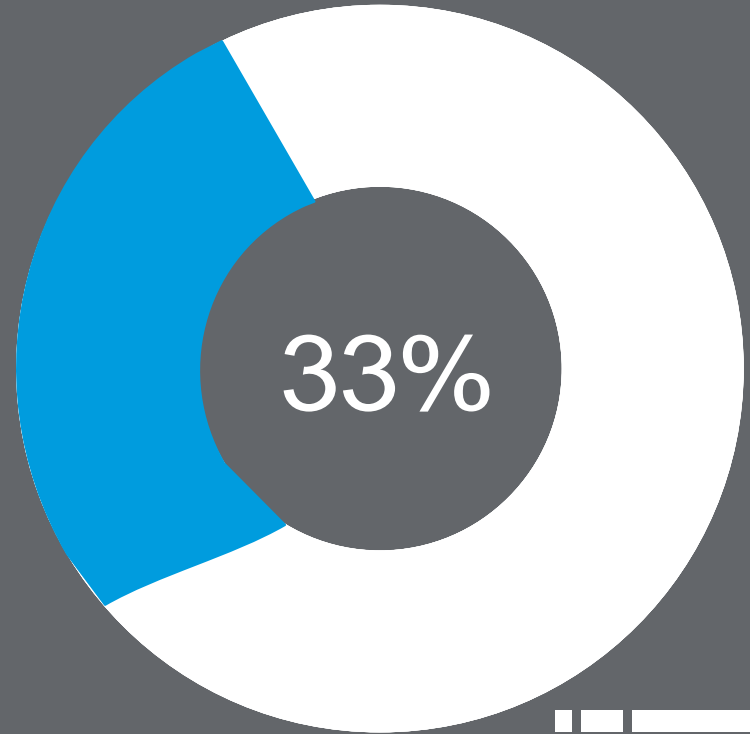
Of the Scottish charities we looked at, only 65 per cent comment on the public benefit of their organisation.



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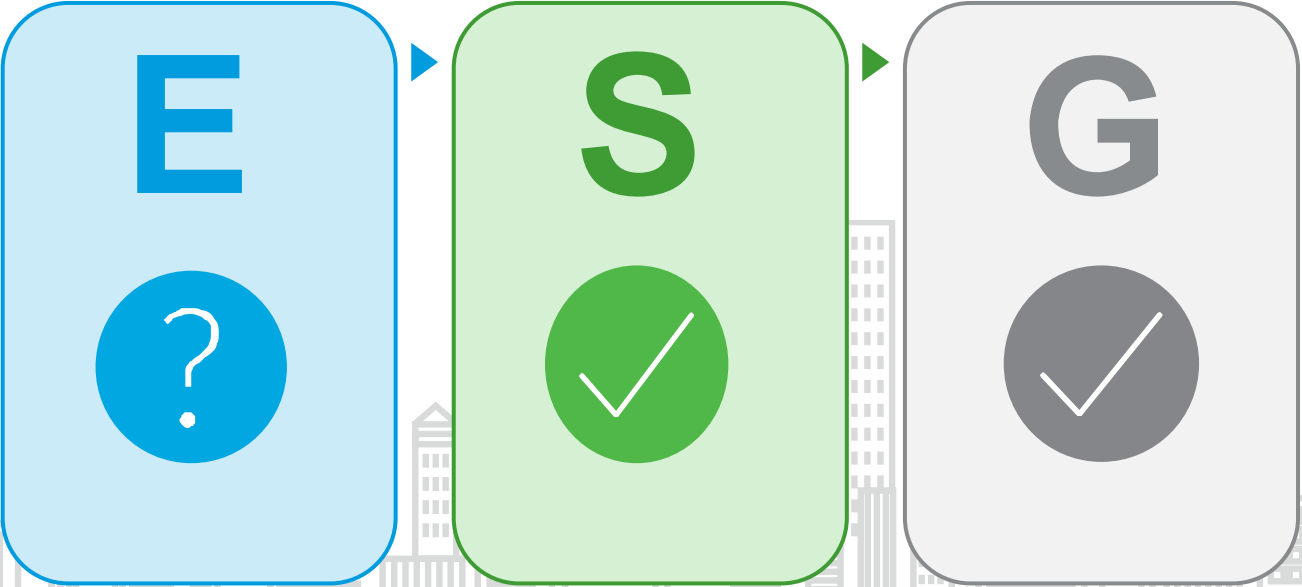
# The Charity Governance Code

Just over a third of charities referenced a charity code. This indicates the emerging best practice, particularly for medium and larger sized charities. The Charity Governance Code is one example of codes/mechanisms that indirectly encourages charities to think about their approach to ESG.



# Splitting out ESG

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# Practical steps to get started

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03





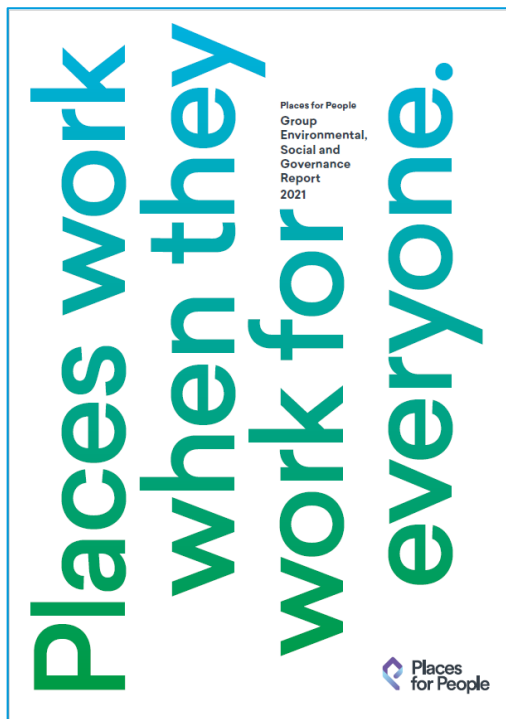
# What is an ESG strategy?

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1. A call to action
2. Working out what activities you have across your charity and pulling them into an ESG strategy
3. Acting responsibly
4. Responding to changing dynamics



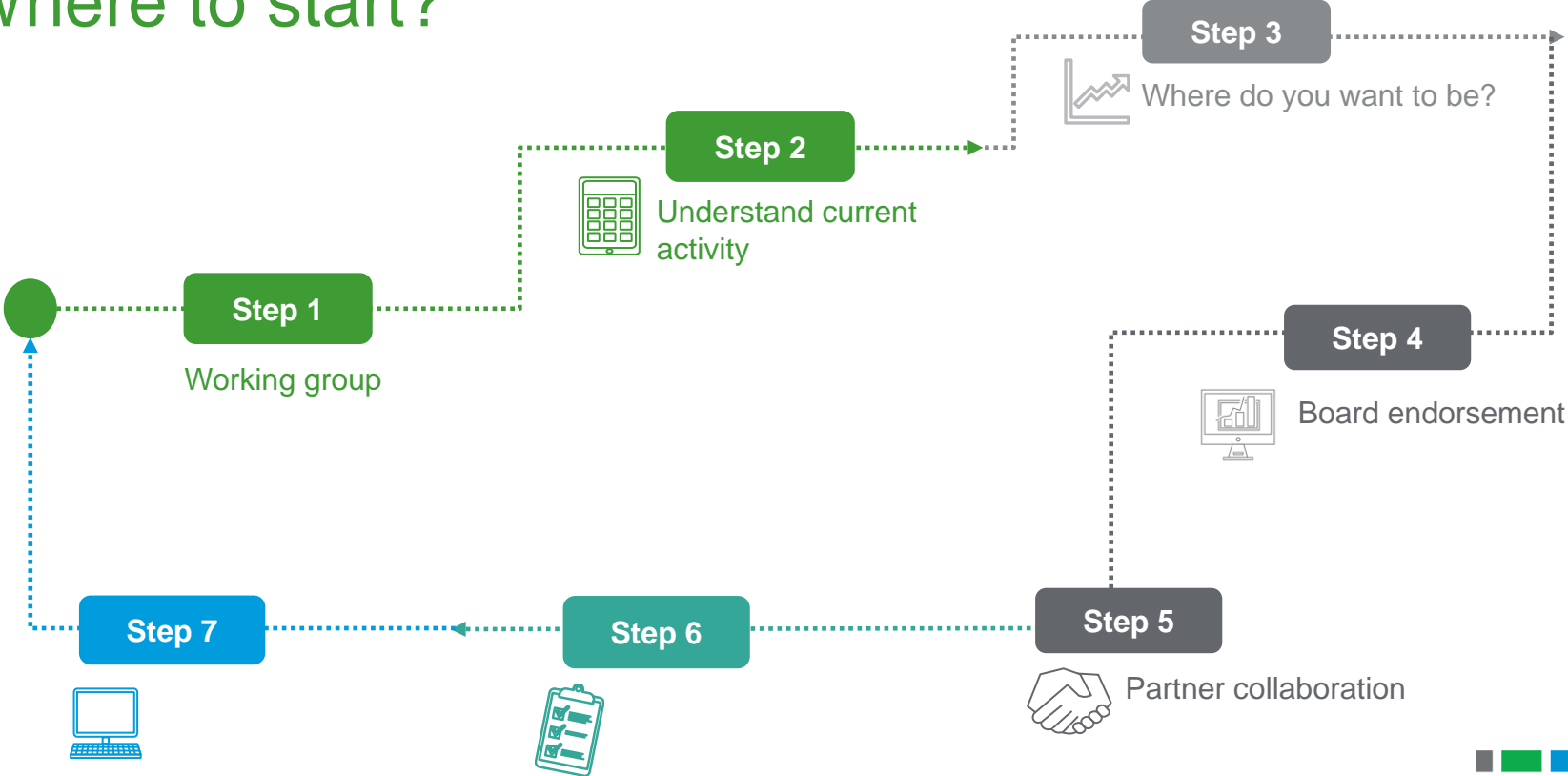
# What does an ESG report look like?



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# Where to start?



# Practical considerations

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1. Keeping reporting succinct in first year
2. Supporting narrative with numerical indicators (KPI)
3. Establishing good practice for recording and calculating non-financial KPIs
4. Consider using ESG framework for guidance on best practice methodology (eg GRI)



# Best practice

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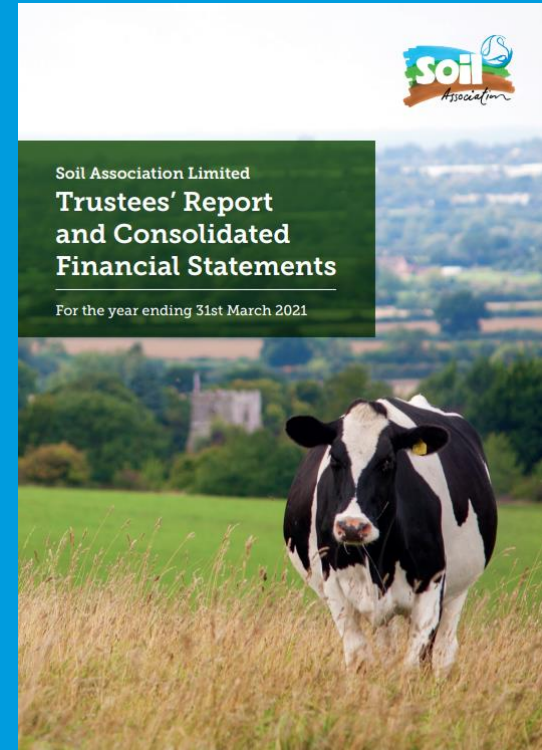
04



# The Soil Association

*“Our charity has recognised we are led by the impact we make. This is enabled by the support we receive, our operational health and our financial resilience. We have captured these elements in a balanced scorecard, with defined measures that we follow and report on. Our impact for beneficiaries is centred in environmental outcomes & societal health outcomes, so ESG becomes a natural everyday agenda.”*

Source: [soil-association-ltd-annual-report-accounts-2021.pdf](https://www.soilassociation.org/~/media/Soil_Association/2021/04/soil-association-ltd-annual-report-accounts-2021.pdf) ([soilassociation.org](https://www.soilassociation.org))



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# The Children's Trust

The trust has a Sustainability Lead and have developed a 'Responsible Organisation Strategy for 2021 – 2025'

*"Leadership at every level" critical to responsible organisation strategy*

## 2018

- *environmental concern high on agenda*
- *developed first strategy and part of the health and safety team responsibility*

## 2019

- *committed to 6 UN Sustainable Development Goals as part of environmental strategy*

## 2020

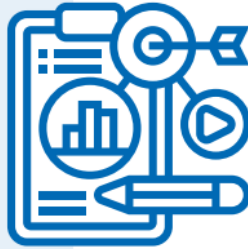
- *appointed sustainability lead and a Equity, diversity and Inclusion officer*
- *signed up to Association of Chief Exec of Voluntary Organisation principles to address diversity at leadership*

# The Children's Trust

## Strategic principles

The following principles will be used to develop and guide our approach, and to inform the strategy:

1. **Evidence-based** – our approach is based upon the best available scientific evidence.
2. **The concept of 'value'** – In the past many economic decisions have discount or excluded non-financial capital. However, climate change, science-based targets and changing social expectations demand a different approach to understanding value. We need to take a longer-term, more rounded and inclusive view.
3. **Recognised best practice** – our approach is grounded in/informed by:
  - The B-Corp Impact Assessment
  - National TOMS
  - The Cabinet Office Social Values Framework
  - Social Value Engine
  - The GRI (Global Reporting Initiative) standards for sustainability disclosure and reporting.
4. **Our organisational values** – We will be informed and driven by our organisational values.
5. **Risk** – We recognise there are risks and opportunity costs for changing the way we work, but also risks if we do not change. We will consider and balance these while pursuing our objectives.
6. **Prioritisation** – We will prioritise efforts that are most likely to achieve significant, lasting and multiple benefits, where we can lead and demonstrate best practice.



*“We wish to further measure and evidence the difference we make to their lives, and to their families”*

Source:

[TCT\\_1052\\_STRAT\\_responsible\\_organisation\\_strategy\\_web.pdf](https://www.thechildrenstrust.org.uk/TCT_1052_STRAT_responsible_organisation_strategy_web.pdf) (thechildrenstrust.org.uk)

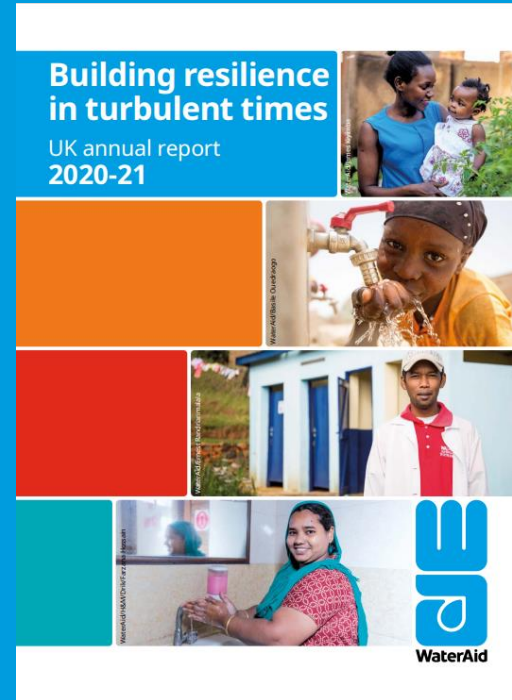


# WaterAid

*“Overall, WaterAid meets all core areas of key compliance of the Charity Governance Code... In December 2020 the code was updated to include a new principle on Equality, Diversity and Inclusion, and in the same month the Board of Trustees committed to delivering on a new anti-racism and diversity framework. In the framework we commit to being an antiracist organisation where diversity is celebrated. The Board will appoint a lead Trustee to ensure we meet these commitments. Managing safeguarding and security risks are also priorities for the Board of Trustees. In 2020 a Trustee was assigned to lead on safeguarding and, to maintain independence, receives incident reports directly.”*

**WaterAid 2020/2021 Annual Report**

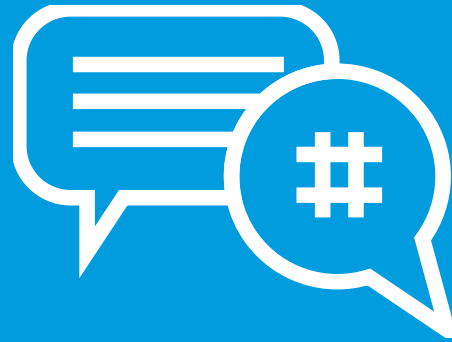
Source: [uk-annual-report-2020-21.pdf](#)



# Conclusion

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05



# Takeaway Points

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- ❑ Championing ESG in the charity– commitment from the top
- ❑ Understanding impact – how far do you want to go, be best in class, cost investments
- ❑ What data and ESG frameworks are relevant
- ❑ Download our report for further tips!

# The rise of ESG

What does this mean for charities?



Download our latest report:

- 26 page report
- Extensive analysis and commentary
- ESG checklist

<https://www.rsmuk.com/charities-esg>



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