# SUSTAINABILITY REPORTING (WITH A FOCUS ON ENVIROMENTAL REPORTING)

## Contents

# Introduction

## Purpose

There is a steadily expanding body of UK legislation and regulation dealing with the reporting of environmental issues by companies, much of which originates from EU directives.[1] Additionally there is a growing number of voluntary reporting frameworks to meet increasing demand from investors and the public to increase transparency around issues additional to the financials of the company.

The purpose of this paper is to summarise the current environmental reporting requirements and some of the available frameworks and guidance for consideration of the SORP Committee.

The legislation which originates from EU directives may potentially be impacted the UK's departure from the EU. The SORP will therefore need to look to provide solutions appropriate to the different frameworks that may come to apply in the Republic of Ireland and the UK.

## What is Sustainability and Environmental Reporting?

Environmental reporting is the public disclosure by an entity of its environmental performance information, similar to the publication of its financial performance information.

Sustainability reporting[2] incorporates environmental reporting but has a wider scope to cover topics such as social, economic and governance performance.

Although there is no formal worldwide definition of sustainability reporting, a number of definitions reference the 1987 United Nations World Commission on Environment and Development description of sustainable development as meeting "*the needs of the present without compromising the ability of future generations to meet their own needs*" (From what is commonly known as the Brundtland Report).[3]

The three elements of sustainability were defined at the World Economic Summit in 2005, these were: the environmental element, the economic element and the social element (otherwise known as the 3 P's People, Plant and Profit).

# Charity Commission and SORP-Making Body Previous Guidance

The current Charity Commission (England and Wales) ("CCEW") guidance available on the internet includes:

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[1] https://www.icaew.com/-/media/corporate/files/technical/sustainability/tecpln12453-eiafr-annual-report-2nd-edition-final.ashx?la=en
[2] https://app.croneri.co.uk/topics/environmental-reporting/indepth
[3] ACCA sustainability reporting matter (2010), & The current state of sustainability reporting CPA journal (accessed through ICAEW library).

- Going Green Charities and Environmental Reporting:[4] This report draws on independent research to increase understanding of the issue.
- Environmental Responsibilities for Charities (10/05/2013):[5] This short guidance document covers some of the common issues connected with environmental responsibility. It includes information regarding when trustees need to contact the Charity Commission and when they can take decisions themselves. It mentions how charities must act within their objectives and some of those may not mention specifically the environment however environmental work may still fall within their objectives. Additionally, some charities may want to change their objectives.

The CCEW is currently undertaking a piece of work on responsible investment and has sought responses from the public to share their thoughts about responsible investments. It has asked:

- What are your experiences and current considerations around responsible investments?
- What do you think are the barriers to more widespread responsible investments? and
- What more could be done to support trustees to invest in a way that reflects the charity's purpose and values? [6]

The SORP-making body has also released Information Sheet 5 (dated 11/06/2020) which addresses The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, as applied to Charitable Companies.[7]

# Legal Environmental Reporting Requirements for Companies

<u>Streamlined Energy and Carbon Reporting regulations</u>

The UK Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") implement the Government's policy on Streamlined Energy and Carbon Reporting (SECR) and these legal obligations came into force on 1 April 2019.

The legislation affects:

- quoted companies;
- large unquoted companies (including charitable companies); and
- large Limited Liability Partnerships (LLPs).[8]

As previously stated, Information Sheet 5, produced by the SORP-making body, provides advice to Charitable Companies who are required to comply with this legislation.

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[4] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/284703/rs17text.pdf
[5] https://www.gov.uk/government/publications/environmental-responsibility-for-charities.
[6] https://charitycommission.blog.gov.uk/2020/01/15/how-do-charities-approach-investing-in-line-with-their-purpose-and-values-we-want-to-know-and-we-want-to-help/.
[7] https://charitiessorp.org/media/648619/sorp-information-sheet-5.pdf.
[8] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850130/Env-reporting-guidance_inc_SECR_31March.pdf

## Greenhouse gas (GHG) reporting

The UK Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 amended the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to require quoted companies to report information on greenhouse gas (GHG) emissions in their Directors' Reports.[9]

## Greening Government Commitments

These do not appear to be applicable to charities as the commitments are actions that UK Government departments and their agencies will take to reduce their impacts on the environment.[10] They are applicable to 22 central government departments and non-ministerial government departments and their Arm's Length Bodies (ALBs) unless specifically exempted.[11]

## The EU Accounts Modernisation Directive (AMD) and Transparency Directive

These two directives require that all companies other than non-listed small companies publish a business review that meets the requirement to report '*to the extent necessary for an understanding of the development, performance or position of the company's business*'. In particular, this must include information about:

- '*environmental matters (including the impact of the company's business on the environment)*'; and
- '*information about persons with whom the company has contractual or other arrangements which are essential to the business of the company*' (this has implications for organisations which have significant environmental impacts along their supply chain).

These disclosures are subject to a variant of the 'comply or explain' principle, for example:

- this sort of information should normally be included in the business review; and
- if it is not then this must be clearly stated, with the implication that environmental matters are not a significant issue for this company.

The UK Companies Act 2006 enacted the AMD in UK law[12] which is discussed below.

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[9] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850130/Env-reporting-guidance_inc_SECR_31March.pdf
[10] https://www.gov.uk/government/collections/greening-government-commitments
[11] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/911542/ggc-annual-report-2017-2018.pdf.
[12] https://www.icaew.com/-/media/corporate/files/technical/sustainability/tecpln12453-eiafr-annual-report-2nd-edition-final.ashx?la=en.

## S172 Companies Act 2006

For reporting periods beginning on or after 1 January 2019, large companies are required to include a statement in the strategic report[13] which describes how the directors have performed their duty under section 172 of the Companies Act 2006.[14] The Companies Act 2006 section 172 states that the directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so should have regard (amongst other things) to the impact of the company's operations on the community and the environment.[15]

Large companies are those that have two of the following criteria:

- Turnover of more than £36m;
- Balance sheet total of more than £18m; or
- More than 250 employees.

## Risk reporting

The Companies Act 2006 requires that the strategic report must contain a description of the principal risks and uncertainties facing the company[16]. All companies except those classified as small must prepare a strategic report as part of their annual report.

This is inherently judgmental and so the practical results of this requirement are likely to be varied.

## Non-financial information statement[17]

Some companies may be required to include a non-financial information statement, this requirement comes from the EU’s Non-Financial Reporting Directive. It is not directly applicable to Charities as provision 414CA of Companies Act 2006 states that the requirement is applicable to companies which were not small or medium size in the year, did not have more than 500 employees in the year[18] and “*if the company was at any time within the financial year to which the report relates—*

*(a) a traded company,*

*(b) a banking company,*

[13] https://www.frc.org.uk/getattachment/fb05dd7b-c76c-424e-9daf-4293c9fa2d6a/Guidance-on-the-Strategic-Report-31-7-18.pdf
[14] http://www.legislation.gov.uk/uksi/2018/860/regulation/4/made
[15] http://www.legislation.gov.uk/ukpga/2006/46/section/172
[16] The Companies Act 2006 Section 414C 2b, https://www.legislation.gov.uk/ukpga/2006/46/section/414C.
[17] https://www.frc.org.uk/getattachment/3dfe0ac6-ac6d-41a0-91bf-df98cbba0ad6/Non-Financial-Reporting-Factsheet-Final.pdf.
[18] Including subsidiary employee numbers if applicable.

*(c) an authorised insurance company, or*

*(d) a company carrying on insurance market activity*."[19]

Appendix 2 gives more information on this requirement.

<u>'Where appropriate and necessary' - environmental KPIs</u>

Companies Act 2006 provision 414C states:

"*The review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include—*

*(a) analysis using financial key performance indicators, and*

*(b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.*"[20]

Note the requirement is where necessary and appropriate, which is open to interpretation.

# Charities SORP: Requirements for Charities

SORP paragraph 1.46 states that for large charities[21], their trustee annual report must explain "*a description of the principal risks and uncertainties facing the charity and its subsidiary undertakings, as identified by the charity trustees, together with a summary of their plans and strategies for managing those risks;*" as well as "*any factors that are likely to affect the financial performance or position going forward.*"

The SORP (paragraph 1.47) also sets out that larger charities should explain in their financial report "*where the charity holds material financial investments, the extent (if any) to which it takes social, environmental or ethical considerations into account in its investment policy*".

SORP paragraph 1.45 states that larger charities, in their trustee annual report, "*should comment on those significant positive and negative factors both within and outside the charity's control which have affected the achievement of its objectives and, where relevant, explain how this has affected future plans. These factors might include relationships with employees, service users, beneficiaries and funders and the charity's position in the wider community.*"

[19] https://www.legislation.gov.uk/ukpga/2006/46/section/414CA
[20] https://www.legislation.gov.uk/ukpga/2006/46/section/414C.
[21] Larger charities is a term used in the 2019 SORP to identify those charities with a gross income exceeding £500,000 (UK) or 500,000 euros (Republic of Ireland) in the reporting period.

# Voluntary Reporting Frameworks and Guidance

This review is limited to the main available frameworks/guidance for sustainability reporting and some with an exclusive environmental reporting focus.

<u>International Integrated Reporting Framework</u> (37 pages)

The purpose of the International Integrated Reporting Framework (or International <IR> Framework) is to establish Guiding Principles and Content Elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them.[22]

The integrated report aims to provide an insight into the company's resources and relationships (which are known as the capitals) and how the company interacts with the external environment and the capitals to create value. These capitals can be financial, manufactured, intellectual, human, social and relationship, and natural capital, but companies need not adopt these classifications. The purpose of this framework is to establish principles and content that governs the report, and to explain the fundamental concepts that underpin them. The report should be concise, reliable and complete, including all material matters, both positive and negative in a balanced way and without material error.[23]

Integrated reporting is built around the following key components:

1. Organisational overview and the external environment under which it operates;
2. Governance structure and how this supports its ability to create value;
3. Business model;
4. Risks and opportunities, including how the company is dealing with them and how they affect the company's ability to create value;
5. Strategy and resource allocation;
6. Performance and achievement of strategic objectives for the period and outcomes;
7. Outlook and challenges facing the company and their implications; and
8. The basis of presentation needs to be determined, including what matters are to be included in the integrated report and how the elements are quantified or evaluated.[24]

<u>Sustainability Reporting Standards</u>[25] (575 pages)

The Global Reporting Initiative (GRI) have created sustainability reporting standards.
GRI Sustainability Reporting Standards (GRI Standards) help businesses, governments and other organisations understand and communicate the impact of business on critical sustainability issues.

It covers the following areas:

- Economic measures;

[22] https://integratedreporting.org/resource/international-ir-framework/.
[23] https://www.accaglobal.com/gb/en/student/exam-support-resources/professional-exams-study-resources/strategic-business-reporting/technical-articles/integrated-report.html
[24] https://www.accaglobal.com/gb/en/student/exam-support-resources/professional-exams-study-resources/strategic-business-reporting/technical-articles/integrated-report.html
[25] https://www.globalreporting.org/information/sustainability-reporting/Pages/gri-standards.aspx.

- Environmental measures;
- Labour Practices and decent work;
- Human rights;
- Society; and
- Product responsibility measures guidelines.

Responsible Business Conduct: OECD[26] Guidelines for Multinational Enterprises (65 pages)
(27/06/2000 but this may have been updated[27])

Responsible Business Conduct (RBC) is about integrating within the core of businesses the management of risks to the environment, people and society.

RBC principles and standards set out the expectation that businesses – regardless of their legal status, size, ownership or sector – contribute to sustainable development, while avoiding and addressing adverse impacts of their operations including throughout their supply chains and business relationships

The OECD Guidelines for Multinational Enterprises are the standard on RBC:

"*The Guidelines reflect the expectation from governments to businesses on how to act responsibly. They cover all key areas of business responsibility, including human rights, labour rights, environment, bribery, consumer interests, as well as information disclosure, science and technology, competition, and taxation*"[28]

The Sustainability Accounting Standards Board (SASB) Standards[29]

Developed with extensive market input, SASB standards are used by companies and investors to implement principles-based frameworks, including integrated reporting and the recommendations of the Task Force on Climate-related Financial Disclosures.[30]

SASB works alongside and with multiple organisations seeking to advance reporting and corporate disclosure on sustainability issues. SASB complements global initiatives including the Global Reporting Initiative (GRI), the International Integrated Reporting Committee (IIRC), the CDP[31], the Task Force on Climate-Related Financial Disclosures (TCFD), and others. SASB is a knowledge partner of the TCFD Consortium (TCFDC) in Japan. [32]

[26] Organisation for Economic Co-operation and Development.
[27] The revised OECD Guidelines for Multinational Enterprises were adopted by the governments of the 30 Member countries of the OECD and Argentina, Brazil and Chile on the occasion of the OECD's annual Council meeting at Ministerial level in Paris on 27 June 2000: https://www.oecd-ilibrary.org/governance/oecd-guidelines-for-multinational-enterprises_9789264060326-en.
[28] http://mneguidelines.oecd.org/ https://read.oecd-ilibrary.org/governance/oecd-guidelines-for-multinational-enterprises_9789264060326-en#page11.
[29] https://www.sasb.org/.
[30] https://www.sasb.org/standards-overview/sasb-and-others/
[31] CDP Global appears to be a reporting framework not within the financial statements but an external reporting https://www.unglobalcompact.org/participation/report/copechanism.
[32] https://www.sasb.org/standards-overview/sasb-and-others/

SASB has developed a complete set of 77 industry standards and although the focus appears to be for for-profit companies reporting to investors, these standards may provide takeaways for not-for-profits.[33]

## The Communication on Progress

The United Nations Global Compact is a voluntary initiative based on CEO commitments to implement universal sustainability principles and take steps to support UN goals.

The Communication on Progress ("CoP") is a way of reporting on its sustainability progress and is submitted to the United Nations Global Compact. It is made publicly available on the website of the UN Global Compact at the moment it is submitted by the participant, enabling companies to communicate their efforts to support and uphold the Ten Principles of the UN Global Compact.

The overall format of a CoP is flexible, and CoPs can be prepared in any language as long as they meet the minimum requirements. As participants are all at different stages in their sustainability journeys, CoPs are categorised into three differentiation levels based on the depth of their disclosure. United Nations Global Compact also collaborate with other frameworks - for example, the Global Reporting Initiative (GRI) — to ensure that the standards are aligned and that meeting the requirements of one framework helps to comply with the others.[34]

## Standards by The International Organization for Standardization (ISO)

ISO is an independent, non-governmental international organisation with a membership of 165 national standards bodies[35] and has developed over 23429 International Standards[36].

- ISO 26000, International Standard for Social Responsibility (106 pages[37])

  Produced by The International Organization for Standardization with a focus of social responsibility, they state:

  "*It provides guidance to those who recognize that respect for society and environment is a critical success factor. As well as being the "right thing" to do, application of ISO 26000 is increasingly viewed as a way of assessing an organization's commitment to sustainability and its overall performance*."

  ISO 26000:2010 provides guidance rather than requirements, so it cannot be certified to, unlike some other well-known ISO standards. Instead, it helps clarify what social responsibility is, helps businesses and organisations translate principles into effective actions

[33] https://www.bdo.com/blogs/nonprofit-standard/april-2017/why-sustainability-metrics-are-smart-for-nonprofit.
[34] https://www.unglobalcompact.org/participation/report/cop.
[35] https://www.iso.org/about-us.html
[36] https://www.iso.org/standards-catalogue/browse-by-ics.html.
[37] https://www.iso.org/standard/42546.html.

and shares best practices relating to social responsibility, globally. It is aimed at all types of organisations regardless of their activity, size or location.

The standard was launched in 2010 following five years of negotiations between many different stakeholders across the world. Representatives from government, NGOs, industry, consumer groups and labour organisations around the world were involved in its development, which means it represents an international consensus. [38]

- ISO 14000 Series - Environmental Management

  ISO 14000 is a series of International Standards for environmental management for any type of organisation as a set of practical tools to manage their environmental responsibilities.[39]

  For example ISO 14064-1:2018 (47 pages)[40] provides tools for programs to quantify, monitor and report greenhouse gas emissions.

- ISO 50001 Energy Management

  For organisations committed to addressing their impact, conserving resources and improving the bottom line through efficient energy management.[41]

## Climate Change Reporting Framework (CCRF)[42] (36 pages)

The Climate Disclosure Standards Board have created a global framework which includes application guidance for climate-related disclosures.[43] The CDSB Framework sets out an approach to reporting environmental information in mainstream reports.

Environmental information includes information about the reporting organisation's:

- Natural capital dependencies;
- Environmental results;
- Environmental risks and opportunities;
- Environmental policies, strategies and targets; and
- Performance against environmental targets.

## TCFD Recommendations on climate-related financial disclosures

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information.

[38] https://www.iso.org/iso-26000-social-responsibility.html .
[39] https://www.iso.org/iso-14001-environmental-management.html.
[40] https://www.iso.org/standard/66453.html.
[41] https://www.iso.org/iso-50001-energy-management.html
[42] https://www.cdsb.net/sites/default/files/cdsb_framework_2019_v2.2.pdf.
[43] https://www.cdsb.net/.

The TCFD has developed a framework to help public companies and other organisations more effectively disclose climate-related risks and opportunities through their existing reporting processes.[44]

Their core recommendations are split into four sub-headings:

**Governance** - Disclose the organization's governance around climate-related risks and opportunities. Recommended disclosures

a. Describe the organization's governance around climate-related risks and opportunities.
b. Describe management's role in assessing and managing climate-related risks and opportunities.

**Strategy** - Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material. Recommended disclosures:

a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.
c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

**Risk Management -** Disclose how the organization identifies, assesses, and manages climate-related risks. Recommended disclosures:

a. Describe the organization's processes for identifying and assessing climate-related risks.
b. Describe the organization's processes for managing climate-related risks.
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

**Metrics and Targets** - Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. Recommended disclosures

a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.
c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

[44] https://www.fsb-tcfd.org/recommendations/.

## Environmental Key Performance Indicators[45]

Guidance produced by UK Government Department DEFRA on how to report environmental KPIs. It sets out 22 environmental KPIs, together with information on how environmental impacts arising from the supply chain and from the use of products can be taken into account.

Although 22 direct KPIs are described, no one company is expected to report on all of these. An analysis of business sectors suggests that around 80 percent of companies are likely to have 5 or fewer KPIs. Whilst some companies already have sophisticated reporting systems in place, these Guidelines aim to help many more companies reach a level where they understand their environmental performance and can improve it.[46]

[45]https://www.gov.uk/government/publications/environmental-key-performance-indicators-reporting-guidelines-for-uk-business

[46]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/69281/pb11321-envkpi-guidelines-060121.pdf

# Additional Resources

Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance (Updated Introduction and Chapters 1 and 2 in March 2019)[47]

Produced by DEFRA and DBEIS it is designed to help companies and limited liability partnerships in complying with the Streamlined Energy and Carbon Reporting regulations and can help with voluntary reporting on a range of environmental matters, including GHG reporting and the use of KPIs.

Sustainability Reporting Guidance 2018-2019[48]
Produced by H M Treasury

This document sets out guidance on sustainability reporting for the public sector. It outlines the minimum requirements, some best practice examples, and the underlying principles to be adopted, in preparing the information for reporting on sustainability within the annual reports and accounts (ARAs). To ensure consistency, it is aligned with the Greening Governments Commitments (GGC) Overview of Reporting Requirements, which is applicable to central government bodies.

FRC guidance on Strategic reporting (July 2018)[49]

This includes requirements for the Strategic report under Companies Act 2006.

FRC non-financial reporting factsheet[50]

This provides guidance on the non-financial reporting requirement applicable for financial years beginning on or after 1 January 2017.

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[47] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850130/Env-reporting-guidance_inc_SECR_31March.pdf.
[48] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/772723/Sustainability_report_19.pdf
[49] https://www.frc.org.uk/getattachment/fb05dd7b-c76c-424e-9daf-4293c9fa2d6a/Guidance-on-the-Strategic-Report-31-7-18.pdf.
[50] https://www.frc.org.uk/getattachment/3dfe0ac6-ac6d-41a0-91bf-df98cbba0ad6/Non-Financial-Reporting-Factsheet-Final.pdf.

# Appendix 1 – Brief background information on climate change

The Greenhouse effect is the natural process where the Earth's surface is warmed due to some of the Sun's energy being reflected back into space and the rest being absorbed and re-radiated by greenhouse gases.

Scientists believe we are adding to this natural greenhouse effect, with gases released from industry and agriculture trapping more energy and increasing the temperature. This is known as climate change or global warming.[51]

We are already seeing the evidence of the world warming, with the 20 warmest years on record all occurred in the past 22 years, with 2015-18 making up the top four years, and with average sea levels rising between 2005 and 2015.

Scientists and policy makers have advised on limiting temperature rises to 1.5% above pre-industrial levels, as even a rise of 1.5% would likely see changes in our climate. The IPCC has said "*Limiting global warming to 1.5°C would require rapid, far-reaching and unprecedented changes in all aspects of society*"[52].

The UK government have committed to a legally binding target of net zero greenhouse gas emissions by 2050[53].

[51] https://www.bbc.co.uk/news/science-environment-24021772
[52] https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/
[53] https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law

# Appendix 2 – Non-Financial Information Statement

For the purposes of understanding reporting requirements this appendix contains extracts from the UK Companies Act 2006 provision 414B[54] relating to environmental related requirements of the non-financial information statement:

"(1) *The non-financial information statement must contain information, to the extent necessary for an understanding of the company's development, performance and position and the impact of its activity, relating to, as a minimum—*

*(a) environmental matters (including the impact of the company's business on the environment),*

[…]

*(2) The information must include—*

*(a) a brief description of the company's business model,*

*(b) a description of the policies pursued by the company in relation to the matters mentioned in subsection (1)(a) to (e) and any due diligence processes implemented by the company in pursuance of those policies,*

*(c) a description of the outcome of those policies,*

*(d) a description of the principal risks relating to the matters mentioned in subsection (1)(a) to (e) arising in connection with the company's operations and, where relevant and proportionate—*

*(i) a description of its business relationships, products and services which are likely to cause adverse impacts in those areas of risk, and*

*(ii) a description of how it manages the principal risks, and*

*(e) a description of the non-financial key performance indicators relevant to the company's business.*

*(3) In subsection (2)(e), "key performance indicators" means factors by reference to which the development, performance or position of the company's business, or the impact of the company's activity, can be measured effectively.*

*(4) If the company does not pursue policies in relation to one or more of the matters mentioned in subsection (1)(a) to (e), the statement must provide a clear and reasoned explanation for the company's not doing so.*

[54] https://www.legislation.gov.uk/ukpga/2006/46/section/414CB.

(5) *The statement must, where appropriate, include references to, and additional explanations of, amounts included in the company's annual accounts.*

(6) *If information required by subsections (1) to (5) to be included in the statement is published by the company by means of a national, EU-based or international reporting framework, the statement must specify the framework or frameworks used, instead of including that information.*"