Sustainability can be defined as identifying and leveraging consumption methods that do not completely use up or destroy natural resources — developing methods to consume these resources so they can be utilized indefinitely. Increasing worldwide population and consumption trends have led to a steady increase in use of natural resources, putting additional strain on the long-term sustainability of these resources. As the world becomes more aware of these consumption patterns, there are increasing pressures — strategic, regulatory and otherwise — to reduce the impact of these patterns through responsible environmental stewardship. Public, private and not-for-profit organizations seek ways to minimize their impact on the environment. Minimizing this impact will inevitably require organizations to change the way they do business, and thus potentially assign additional costs to address their environmental impacts.

Specific to the public sector: Federal Executive Order 13693 Planning for Federal Sustainability in the Next Decade, Regional Greenhouse Gas Initiative, and U.S. Mayors Climate Protection Agreement all illustrate increased emphasis on operating in a sustainable manner. In response, the public sector looks for ways to ensure resources are effectively and efficiently consumed in such a way to maximize economic outputs, while simultaneously balancing environmental and social considerations and ensuring longevity. Forward-thinking organizations will look for opportunities to maximize the benefits of these changes, while minimizing the impact to their bottom line.

Corporate social responsibility (CSR) reporting is a means to help organizations systematically measure and manage sustainability assets and liabilities. Organizations such as the Global Reporting Initiative (GRI) have emerged to support public, private and not-for-profit entities to quantify and report on key social responsibility measures. Much effort has gone into developing strategies to measure and report on CSR measures.

As of 2015, 81 percent of the S&P 500 produce corporate sustainability reports. Meanwhile, only six cities, one federal agency, four public institutions and one state agency in North America holistically capture their CSR metrics using the GRI framework.

Because government entities (federal, state and local) operate differently than private and not-for-profit organizations — with unique services and financial management strategies — the manner in which they quantify, report and manage social responsibility indicators will differ. There is, thus, a great deal of opportunity to develop these capabilities within the public sector. In fact, many of the strategies developed for the private sector can be leveraged to help public-sector entities manage their social responsibility obligations. In this article, we discuss the CSR and GRI frameworks, and how
they can be leveraged to support the management of public-sector sustainability initiatives.

**CSR Reporting**

CSR is based on the expectation that entities (both private and public) behave ethically vis-à-vis society. CSR communicates that businesses cannot just focus on revenue but must also embrace activities that are ethical. CSR can involve a wide variety of environmental and social criteria, such as sustainable business, business ethics and accountability. Organizations assess which criteria are material to their business operations, and focus reporting and management accordingly. Regardless of what CSR component an entity pursues, it is an opportunity to demonstrate to internal and external stakeholders that the institution has the expertise to deliver sustainable services and highlight commitment to being a model corporate citizen by adhering to certain duties and responsibilities. Some motivations to pursue CSR initiative are outlined in Figure 1.

**Who Uses CSR and Why**

Numerous private entities leverage the CSR framework to support their sustainability programs. The Walt Disney Company, Microsoft, Google and BMW have received recognition for having robust CSR reporting approaches as they strive to be good corporate citizens. Public entities have also begun to leverage the CSR framework to support their sustainability programs. The U.S. Environmental Protection Agency (EPA) has numerous programs and awards to distinguish and provide incentives to those that voluntarily make significant achievements in climate protection. By leading the CSR effort, EPA is responding to the public’s growing interest in environmental initiatives, and creating a place for itself in the public sector for renewable strategy, green power market and low-carbon energy future.

Similarly, the U.S. Department of State initiated a program to promote CSR through its efforts on sustainable development, particularly through voluntary public-private partnerships in 2001. The department also specifies target groups (i.e. stakeholders) this program will impact and may benefit.

The aforementioned entities have leveraged aspects of the CSR framework to demonstrate commitment to being a responsible global citizen, while also improving performance. Other public entities can leverage many CSR principles to achieve similar results. To fully implement CSR principles into a robust sustainability report, it is important to leverage existing best-in-practice tools and techniques.

**Applying the GRI in a Public-Sector Context**

The most widely known and accepted CSR reporting framework is GRI’s G4 Sustainability Reporting Guidelines. Since early as 2004, public-sector institutions have leveraged the framework to organize their reporting metrics to communicate to stakeholders and demonstrate their commitment to people and the environment.

A key feature of the GRI framework is that it offers a wide array of environmental, economic and social criteria an organization can measure, report on and manage. This is critical to understand what CSR factors are material to a particular government entity. These considerations are driven by the key GRI principles of stakeholder inclusiveness and scope.

Before initiating a CSR report supported by the GRI framework, it is important to actively engage stakeholders to assess materiality. In this initial planning phase, an organization should designate a small body or department to oversee the efforts. Appropriate groups for public entities could include a city council, task force, committee or sustainability department. Because information will be collected organization-wide,
the team should be supported by top leaders. The first course of action for this group will be to engage in two key activities to define the scope of the CSR report:

1. **Stakeholder Engagement**: Stakeholder involvement is a key feature of the GRI reporting framework. Inclusion of diverse voices with a vested interest in the performance and impacts of the government provides transparency and accountability when reporting on community and environmental impacts. For a state or city government, key stakeholders would include taxpayers, local businesses and residents, as well as state agencies and utility companies. Outreach can come in many forms, including spot surveys, town hall meetings and community charrettes. It is incumbent upon the GRI team to identify and include all impacted stakeholders in this assessment, to prioritize their feedback, and document the efforts to capture their concerns within the report.

2. **Materiality Assessment**: After the stakeholder engagement process is complete, the GRI team must assess the feedback received, to identify which are material to the organization. A standard approach is to assess the identified impacts by 1) level of importance to stakeholders and 2) significance of the impacts. For example, as shown in Figure 2, an environmental agency may express the importance that

---

**Figure 2. Materiality Matrix Example for Government Buildings**

![Materiality Matrix Example for Government Buildings](image)

---

Cotton & Company provides high-quality audit, accounting, information technology, and consulting services to meet our client’s needs. We continuously build on our foundations of quality to optimize project success. Our solutions lead to real benefits. Find out how we can benefit your organization.
all federal office cafeterias use biodegradable utensils. However, this may have a lower impact than an initiative to install solar panels on all buildings and would, therefore, be less material. Once materiality has been determined, data collection and evaluation of these metrics should begin.

GRI Disclosures: General, Specific and Supplemental

The GRI framework requires all reporting agencies include general standard disclosures. These include items like an organizational profile, a statement from senior decision makers, and the efforts and findings of the stakeholder and materiality assessments. The outcomes of those assessments, the aspects and boundaries, determine which specific indicators are required for the report. These aspects are organized into environmental, social and economic categories. A government is required to respond to at least one indicator per identified aspect.

Organizations should also report on supplemental metrics tailored to their sector. There are currently 10 sector supplements, including airport operations, and oil and gas utilities. There is also a pilot supplement for public entities, focusing on organizational performance, public policies/implementation measures, and context or state of government aspects. These disclosures are organized in Figure 3.

Figure 4 provides comparative examples of specific disclosures provided by government agencies of different sizes. The U.S. Army Sustainability Report 2012 is an example of a federal respondent; and the 2012 Sustainability Report for the City Hall of Bloomington (Ind.), is an example of a local government GRI report. The content of their responses ranges in type — from direct and descriptive to references of extensive management projects underway.

Finalizing the GRI Report

Once the content of the report has been identified, the team should gather data on material aspects. Although only one indicator per aspect is required to meet minimum reporting requirements, all identified as material should be included. After data is gathered and compiled, the GRI report should undergo a validation and vetting exercise to ensure internal buy-in has been granted. Last, the report should be published and disseminated to the government, stakeholders and public at-large.
Challenges and Solutions in Implementing CSR and GRI Framework

There are certain challenges and solutions the public sector could face when implementing the CSR and GRI frameworks.

**Challenges**

- **Long-time horizons**: Many sustainability practices reduce costs in the long run, but require large upfront investments to implement (e.g., installation of renewable energy technology). Public agencies are especially wary of any large expenses as they face unique uncertainties related to shifting budget priorities and leadership changes.

- **Unique incentives**: Agencies are less influenced by competition than private entities. Some private companies that produce CSR reports state customers and stakeholders expect sustainable practices; and, by implementing sustainable business practices, the company is proactively remaining competitive.\(^{11}\)

- **Staffing/limited resources**: Though public agencies have worked to implement sustainable practices in recent years,\(^{12}\) understaffing can make it difficult to take on additional responsibilities such as CSR reporting.

**Solutions**

- **Begin with a few criteria, then expand**: A key feature of the GRI framework is to report on the CSR criteria deemed material to the organization. Focusing on a few critical criteria in the early years of CSR implementation will demonstrate progress and enhance buy-in to the program. This will allow for improved engagement, and the opportunity to identify and expand on further CSR criteria in future reports.
Focus on low expenditure/high yield criteria: Sustainability goals can vary widely in resource requirements. It is important to focus early efforts on goals with relatively low resource input, but with high-yield results — successful achievement of these goals will demonstrate quick victories, building momentum for more challenging projects. An example is lightbulb replacement — replacing inefficient lightbulbs with high-efficiency bulbs can have a large impact on energy consumption, while requiring a limited amount of effort at a relatively low cost.

Focus on risk mitigation: Evaluating various aspects of the CSR and GRI frameworks can provide important context and data for an organization’s sustainability risks and liabilities. Part of the materiality assessment should focus on identifying sustainability criteria that could have regulatory or market implications (e.g., Does our current level of water pollution leave us open to regulatory fines? What are the benefits of reducing our footprint?). The CSR report can serve as a centralized document that allows an organization to proactively communicate its current footprint, future action plan and evaluation of performance against the action plan.

Conclusion

Sustainability is a business priority — one that public-sector entities face increasing pressure to embrace. Consumer, shareholder and citizen demand will continue to drive requests for public- and private-sector entities to increase their efforts to be good stewards of the planet. Leveraging best practices, and frameworks like CSR and GRI will help government entities maximize the benefits of capturing environmental, economic and social information, and minimize the impact on delivering its mission.

Endnotes

5. Ibid.

Mark Lemon, MPA, PMP is a manager in Grant Thornton Public Sector’s Decision Analytics Practice. He leads the firm’s greenhouse gas inventory and management functions, chairs the CAM-I Environmental Sustainability Interest Group, and sits on the AICPA Assurance Services Executive Committee Sustainability Task Force.

The author would like to recognize Rachel Abrahams, Mahrukh Zaidi, Jim Vande Putte, Katie Smoots and Brian Watts for their contributions to this article.
Register today!

PDT 2017

2017 Professional Development Training

July 9–12 | Boston or virtual | 24 CPEs
www.agacgfm.org/pdt