On the reporting path – determining new directions with G3

Careesa Gee, Communications Assistant, Global Reporting Initiative, Amsterdam, The Netherlands

Following a year of stakeholder engagement, research and planning, the process that will result in the third generation of GRI Guidelines (G3) is well and truly underway. Work streams focused on innovating and updating the indicators and principles, and better linking them to the associated business and reporting process began in earnest in November 2004. The G3 process is rounded out by two other components: One that will see the Guidelines delivered in a digital format in 2006, and the other that will help GRI move away from reliance on philanthropy and towards self-sufficiency. Will GRI's plans meet parallel goals of consistency and creativity? You be the judge!

Strong foundations

If there was a consistent theme this year for the Global Reporting Initiative (GRI), it was growth. Of significance, there was nearly a doubling over the past year in the number of organisations using the GRI Guidelines to report. We had initially projected that we would surpass the 600 reporters mark by the end of 2005, but we met and surpassed that landmark in the middle of November 2004.

The Guidelines are also increasingly being referred to as the global choice for reporting by diverse groups. Contributing to the increase in uptake was the translation of the Guidelines into six new languages bringing to 10 the total number of languages the Guidelines are available in.

A large, diverse and rapidly increasing base of Guidelines users, coupled with a growing global awareness of the Guidelines and the importance of sustainability reporting – results in a new sort of challenge for GRI: How to increase the value, quality and robustness of the Guidelines.

These challenges and achievements are influencing how GRI moves forward, in the shape of an ambitious new work plan that will result in the Third Generation (G3) of Guidelines due for

release in 2006. The G3 plan was conceived following an intense period of consultation and discussion with various stakeholders in 2003-2004. This included a major assessment of user satisfaction through a structured feedback process, which engaged 450 people worldwide, and follow-up interviews and user intelligence surveys. As the GRI moves forward with the first phase of implementation we have been receiving

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encouraging signals that the G3 process is moving in the right direction.

The plan of action

As a direct result of the feedback received from a diversity of stakeholders from business, civil society, accountants, investors and labour groups the G3 workplan has been designed to innovate, update and improve The Guidelines with three broad goals in mind: Remain innovative while still standardising elements pertaining to the Guidelines; improving the use and value of reports to different groups and better linking reporting to other CSR tools, as

well as stronger ties from both of these to existing business systems.

The G3 workplan is broken into three components that have been designed to achieve the broader goals outlined above and also ensure a degree of self-sufficiency and financial security for GRI so future iterations of the Guidelines can be supported.

G3 components include:

- **Guidelines innovation:** An innovative and ambitious work plan focusing on updating and improving indicators, the application of The Guidelines, and linkages with other CSR tools and financial markets. This process is already underway and described in more detail below.

- **Digital solutions:** The digital solution will include an enhanced GRI website and delivery of the Guidelines in XML/XBRL format. This more efficient delivery system for the Guidelines will provide the ability to link with existing information management systems. The development of digital solutions for the delivery of the G3 Guidelines will begin in mid-2005.

- **Products and services:** A key component of the G3 process is the development of educational support,

Figure 1. Number of GRI Reporters by Year.
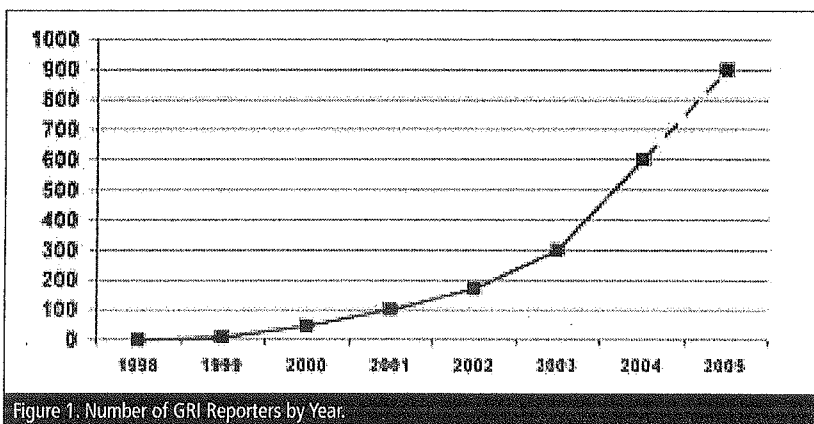
A global language for sustainability reporting

The Guidelines are available in:
- Chinese
- Dutch
- English
- French
- German
- Italian
- Japanese
- Portuguese (Portugal and Brazil)
- Russian
- Spanish

such as tutorials and seminars, around the context and application of principles and indicators. Courses would be aimed at practitioners in organisations looking for help as they get started with reporting or to improve their current reporting processes. Courses for key information seeker communities, such as SRI analysts and civil society, would help build capacity for the use of sustainability information. The development of an education programme is scheduled to begin in mid 2005 with the development of materials and course planning.

A new paradigm – parallel goals of consistency and creativity

Every two years SustainAbility, Standard & Poors, and UNEP release a report that grades and benchmarks the quality of sustainability reports. The last benchmark was released in late 2004, where 47 of the top 50 rated sustainability reports were based on the GRI Guidelines. This was a clear indication that leading companies see the value in using the GRI Guidelines, and equally, that the use of them contributes to a higher quality report.

Titled Risk & Opportunity: Best Practice in Non-Financial Reporting, the authors note that "the fact that so many companies have stepped forward with high-quality sustainability reports – including many from developing countries – owes much to GRI's tireless efforts."

The report also identifies a key challenge for the future, which is for GRI to improve the consistency and comparability of reports, while at the same time encouraging new and creative approaches to discover inventive and appropriate solutions.

The need to do both is necessary to prevent fragmentation and stagnation of The Guidelines, and while these extremes taken together appear contradictory, they are in fact not mutually exclusive. Capturing the benefits of both is the challenge the GRI faces, and which it has accepted to take on.

To meet these two goals, the Clarity and Purpose of Indicators workstream maintains a core focus on innovating the indicators and the process, principles, and application of them, which will result in a high level of rigorousness and robustness. The end result will be a framework that will bring increased value to organisations that use the

Technical advancements in the GRI Guidelines are being conducted by three work streams, all simultaneously working on different key areas:

Clarity and Purpose of Indicators. This work stream consists of an Indicators Working Group (IWG), supported by a number of smaller issue-specific expert advisory groups. Their mandate is to review the performance indicators and improve their quality, clarity, and assurability. The result will be indicators with greater comparability and that effectively communicate organisational performance. This group will also develop supporting protocols.

Reporting as a Process. This work stream will focus on the process of applying the Guidelines, including the use of stakeholder engagement. A working group will propose guidance on how to use and interpret the GRI principles. In addition, this work stream will identify other business management processes and systems which sustainability reporting feed into, and will propose methods for how the G3 can better reinforce and mesh with these.

Relationships and Harmonisation. This work stream addresses issues relating to the broad architecture of the Guidelines and their fit in the world of standards with a focus on financial markets and assurance. This will include the establishment of a consultation with financial institutions to assess how analysts use reports, what makes them valuable, and how an improved GRI reporting standard could be of use for the financial world. Separately, there will also be a process to assess the overall compatibility of GRI with existing assurance standards for reporting.

Guidelines to report and those individuals and organisations that seek sustainability information. This increased level of robustness and standardisation will result in reports better suited to analysis, benchmarking and auditing.

Of course, meaningful reporting depends not only on the framework, but also on those who use it. Thus, in order to complement the work on improving the indicators and principles, the human element of reporting will be addressed in the Reporting as a Process work stream.

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Here the focus will be on the process of applying the Guidelines, including the use of stakeholder engagement. This group will provide guidance on how to use and interpret the GRI principles such as transparency, completeness, and relevance, which are often difficult for organisations to comprehensively or substantially address in their early sustainability reports. Understanding and incorporating these values is what will take reporting to the next level. GRI is expanding its capabilities and assistance in this area. Significantly, the Risk and Opportunity Report found that the difference in attitude towards such principles – whether the reporting organisation perceived them in the light of accountability or compliance – was significant in determining the top reports. In addition, this work stream will identify other business management processes and systems which sustainability reporting feed into, and will propose

methods for how the G3 can better reinforce and mesh with these.

The last work stream within the Guidelines Innovation component is Relationships and Harmonisation, which addresses issues relating to the broad architecture of the Guidelines and how they fit in the world of standards. The focus will be on financial markets and assurance. Financial institutions will be consulted to assess how reports are used by analysts, what makes them valuable, and how an improved GRI reporting guideline could add value. Separately, there will also be a process to assess the overall compatibility of GRI with existing assurance standards for reporting. Similarly, where GRI addressed the question of standardisation versus innovation by framing the issues in a new context, here too it is likely that both will play a role, and it will be necessary to account for both forces, just as within the even wider global economic sphere there is the need to recognise both integration and fragmentation as products of globalisation.

Towards greater value – completing the reporting package

Within this new paradigm, GRI is addressing two other important challenges: How to better link reporting to other business management tools and systems; and how to ensure GRI can move away from reliance on philanthropy and establish itself as a self-sufficient body.

This is where the other components of the G3 come in. Building new digital infrastructure creates a myriad

Timeline and work flow for Guideline Innovations

Work stream recruiting, research and drafting (October 2004 – July 2005)
The Drafting Phase began in October 2004 with the opening of work streams. These streams will develop a series of inputs, draft language, and recommendations regarding the G3.

Synthesis (July 2005 – September 2005)
The GRI Secretariat will consolidate the outputs of the work streams into the first draft of the G3.

Public Comment (October 2005 – December 2005)
The draft will be posted for a 90-day public comment period.

Finalisation (January 2006 – April 2006)
The Secretariat will synthesise public comments and develop a revised version of the G3 for review and approval by the GRI governance bodies.
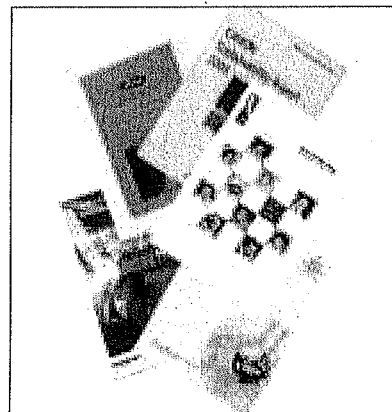

Figure 2. Sustainability reporting on the rise worldwide.

of new ways for organisations to access and use The Guidelines, giving them the choice of producing an electronic report, which in turn may be read by a wider range of groups. It is anticipated that GRI will use XBRL technology, which is the standard digital business language that the private sector is now converging on. This opens the door for others who may want to build software systems around the main platform.

This is further reinforced by the third component, service and products, which were designed in recognition that demand exists for practical help for those involved in writing and evaluating reports. While also still early in the planning stages, training programs will be designed and implemented, and these will increase the capacity of CSR practitioners to accurately apply The Guidelines. A system for registering reports would offer additional service to reporters, wherein the GRI will verify the extent to which The Guidelines were used, officially recognise the report, and give feedback through a help desk.

The digital platform and the services offered together will also complement the challenge of better linkages and integration with other CSR initiatives and with existing business systems. Using XBRL will facilitate the incorporation of the Guidelines by others into new software, databases, or programs, and the services will ensure that practitioners have the capacity to use and apply The Guidelines effectively.

External influences – the fourth component

The components of the G3 all aim to prepare and position the GRI to respond to future needs and pressures. Current developments support a continuing significant role for sustainability reporting, such as the joint announcement in October 2004 by a coalition of SRI analysts at 18 North American SRI Firms, representing over $230 billion in assests, that "...a company's GRI report should be the first place investors and research institutions consult for information...", and the launch of the Enhanced

Analytics Initiative (EAI) by European institutional investors, aimed at convincing side-sell analysts to include intangible issues in their research and recommendations.

Additionally, GRI itself will play a role in shaping how things unfold. Its nature is well suited to mitigating change, as it includes at its core, responsive processes that structure the way the organisation functions.

"GRI is constantly aware of the need to respond to changing stakeholder needs," said Ernst Ligteringen, GRI's Chief Executive. "That is why we have designed the structure of the organisation in such a way that continuous improvement is built into all of our processes and products, so that GRI will be able to respond in the most effective way. This means we are well situated to maintain our flexibility, while still working towards more consistency in how reporting is done."

ABOUT THE AUTHOR

Careesa Gee holds a Master's Degree in International Affairs from the Norman Paterson School of International Affairs (NPSIA), Carleton University. She has consulted for Environment Canada and the International Research and Development Centre on issues of water and waste management for agricultural use in developing countries. Careesa comes to GRI's communications team sponsored by Foreign Affairs Canada and International Trade Canada, through the International Institute for Sustainable Development.

ABOUT THE ORGANISATION

The Global Reporting Initiative (GRI) is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. These Guidelines are for voluntary use by organisations for reporting on the economic, environmental, and social dimensions of their activities, products, and services. The GRI incorporates the active participation of representatives from business, accountancy, investment, environmental, human rights, research and labour organisations from around the world. Started in 1997, GRI became independent in 2002, and is an official collaborating centre of the United Nations Environment Programme (UNEP).

ENQUIRIES

Careesa Gee
Global Reporting Initiative
Keizersgracht 209
1016 DT Amsterdam
The Netherlands

Tel: +31 (0)20 531 00 00
Fax: + 31 (0)20 531 0031
E-mail: info@globalreporting.org
Web site: www.globalreporting.org