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Making the Connection

Using the GRI's G3 Reporting Guidelines for the UN Global Compact's Communication on Progress

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DRAFT PUBLICATION

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UN Global Compact

Launched in 2000, the UN Global Compact is the largest corporate citizenship initiative in the world. More than 3,000 companies from 100 countries, as well as 700 civil society and international labour organizations, are engaged in the initiative. All are working to promote responsible corporate citizenship, ensuring that business is part of the solution to the challenges of globalization. In this way, the private sector – in partnership with other social actors – can help realize a more sustainable and inclusive global economy.



Global Reporting Initiative

The Global Reporting Initiative's (GRI) vision is that reporting on economic, environmental, and social performance by all organizations becomes as routine and comparable as financial reporting. GRI accomplishes this vision by developing, continually improving and building capacity around the use of the GRI's Sustainability Reporting Framework, the core of which is the Sustainability Reporting Guidelines. An international network of thousands from business, civil society, labor, and professional institutions create the content of the Reporting Framework in a consensus-seeking process.

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contents

- 4 Welcome from the UNGC and GRI
- 5 Introduction
 - COP in Brief
 - G3 Framework in Brief
- 7 Making the Global Compact – GRI Connection
- 10 How to Structure Your COP/G3 Report
 - Communicating Progress via the GRI Structure
 - Other Report Structures
 - Principles-Based*
 - Stakeholder-Based*
 - Issues-Based*
 - Geography-Based*
- 20 Final Thoughts

annexes

- 22 Annex A
 - GC Principles – GRI Indicators Cross Reference Table
- 23 Annex B
 - Where to Begin Implementing the 10 Principles
- 24 Annex C
 - Resources

Welcome from the UN and GRI

As business interests are increasingly linked to sustainable development objectives, the need for organizations to demonstrate responsible practices is more evident and important than ever before. It is increasingly clear that integrating universal principles – such as those related to human and labour rights, environmental standards and anti-corruption – into the global marketplace helps achieve greater social and economic inclusion while also driving long-term business success. To unlock this potential and meet evolving expectations for the business-society relationship, organizations are seeking new global frameworks to help implement sustainability strategies in their organizational structures and practices.

The United Nations Global Compact (GC) and Global Reporting Initiative (GRI) are both voluntary initiatives that play complementary roles in promoting organizational accountability and improved sustainability performance. The Global Compact catalyzes leadership and innovation in translating key corporate social responsibility commitments into organizational vision and action. The universal principles, on which the GC is based, are a central reference point in the GRI Guidelines. Therefore the GRI would recommend the use of the Global Compact as a practical means for implementing these principles. The Global Reporting Initiative provides a means for measuring progress on an ongoing basis and communicating performance.

As the uptake of the GC and the GRI continues to increase, the complementary nature of the organiza-

tions' missions and frameworks has led to active collaboration. The GRI and the GC are now working to provide practical guidance on how our global frameworks work together, with the goal of enhancing the value, ease of use and impact for users.

We are pleased to present this practical guide in conjunction with the launch of the Third Generation ("G3") of GRI's Sustainability Reporting Guidelines. This practical guide provides advice and support for linking sustainability reporting under the G3 Guidelines with the preparation of a United Nations Global Compact Communication on Progress (COP). While the GRI G3 Guidelines do not represent the only way of preparing a COP, they do offer globally-recognized reporting guidance that can help produce strong COPs and are recommended by the GC.

Measures of Success

- More than 3,000 companies from more than 100 countries are signatories to the Global Compact
- Almost 1,000 organizations from nearly 60 countries have formally declared their use of the GRI Guidelines

This is a draft publication and we invite Global Compact signatories, companies active in the GRI network, and other stakeholders to provide feedback. The final version will be released at the next Global Compact Leaders Summit in July 2007.

We appreciate your continued support of the UN Global Compact and the GRI. It is only through ongoing collaboration that we can best contribute to the realization of a more sustainable and inclusive global economy.

Georg Kell
Executive Director
UN Global Compact Office



Ernst Ligteringen
Chief Executive
Global Reporting Initiative



Introduction

This guide introduces and explores ways to address GRI and Global Compact requirements simultaneously, and is intended to assist companies in combining their sustainability reporting and COP. This guide is not intended to be a prescription for “the” single way to prepare a sustainability report or a COP. Every company is unique and will choose to communicate in different ways. However, organizations are recommended to use the GRI G3 Guidelines as a means to communicate their progress due to the complementary nature of GRI and the GC.

COP in Brief

The Communication on Progress (COP) is a description of actions taken by participants in support of the Global Compact and is intended to demonstrate commitment to the Global Compact and progress in implementing the ten principles. Within two years of declaring support for the Global Compact, and every year thereafter, a company is expected to produce a COP, share it publicly with stakeholders, and post it on the Global Compact website. Companies failing to submit a COP will be initially labeled “non-communicating” and later “inactive” on the GC website.

The purpose of the COP requirement is not only to ensure and deepen the commitment of Global Compact participants and to safeguard the integrity of the initiative. It also aims to create a rich repository of corporate practices that serves as a basis for continuous performance improvement. For companies, it is a tool to exercise leadership, facilitate learning, stimulate dialogue and promote action.

The key elements of a COP and the process for submitting the communication are briefly presented below. For answers to frequently asked questions about the COP, please go to: http://www.unglobalcompact.org/CommunicatingProgress/COP_FAQ.html.

1. Preparing an annual Communication on Progress

While there is no single framework for the creation of a COP, emerging best practices include:

- a. **A statement of continuing support** for the Global Compact in a message from the Chief Executive Officer or other senior executive.
- b. References, links or descriptions of **policies, commitments and systems** the company has created in order to implement the Global Compact principles in its operations.

c. **Description of practical actions** that the participant has taken in the previous year to implement the ten Global Compact principles.

d. **Measurement of outcomes** using, as much as possible, standard indicators or metrics.

2. Sharing the COP with a company's stakeholders

The COP was designed as a means for participants to communicate their progress on implementing the ten Global Compact principles directly with their stakeholders. Therefore, ideally, COPs should be integrated into a participant's existing communication with stakeholders, such as an annual or sustainability report.¹

3. Adding the COP to the Global Compact website.

In addition to the dissemination of a COP described above participants are expected to post on the Global Compact website² an electronic version of their COP and, if possible, a link to the web page where the document is available.

The purpose of the COP requirement is not only to ensure and deepen the commitment of Global Compact participants and to safeguard the integrity of the initiative. It also aims to create a rich repository of corporate practices that serves as a basis for continuous performance improvement. For companies, it is a tool to exercise leadership, facilitate learning, stimulate dialogue and promote action.

¹This guide is largely based on the assumption that a company will prepare an annual sustainability report, whether in print or electronic form. However, in case a participant does not publish such reports, a COP can be a stand-alone report that is made available through other public communication channels (e.g. websites, newsletters, intranets, company notice boards, included with payroll.).

²A document outlining the submission process is available at <http://www.unglobalcompact.org/CommunicatingProgress/index.html>

G3 Framework in Brief

The GRI Sustainability Reporting Framework provides guidance on how organizations can disclose their sustainability performance. Report-makers choose the guidance and indicators contained in the various Framework components to suit their needs and their stakeholders' interests.

The Framework is applicable to organizations of any size, type or location, and already has been used worldwide by thousands of companies, associations and organizations in all sectors as the basis for sustainability reporting. It is continuously improved and expanded as experience with sustainability reporting evolves, and the needs of report-makers and report-users change.

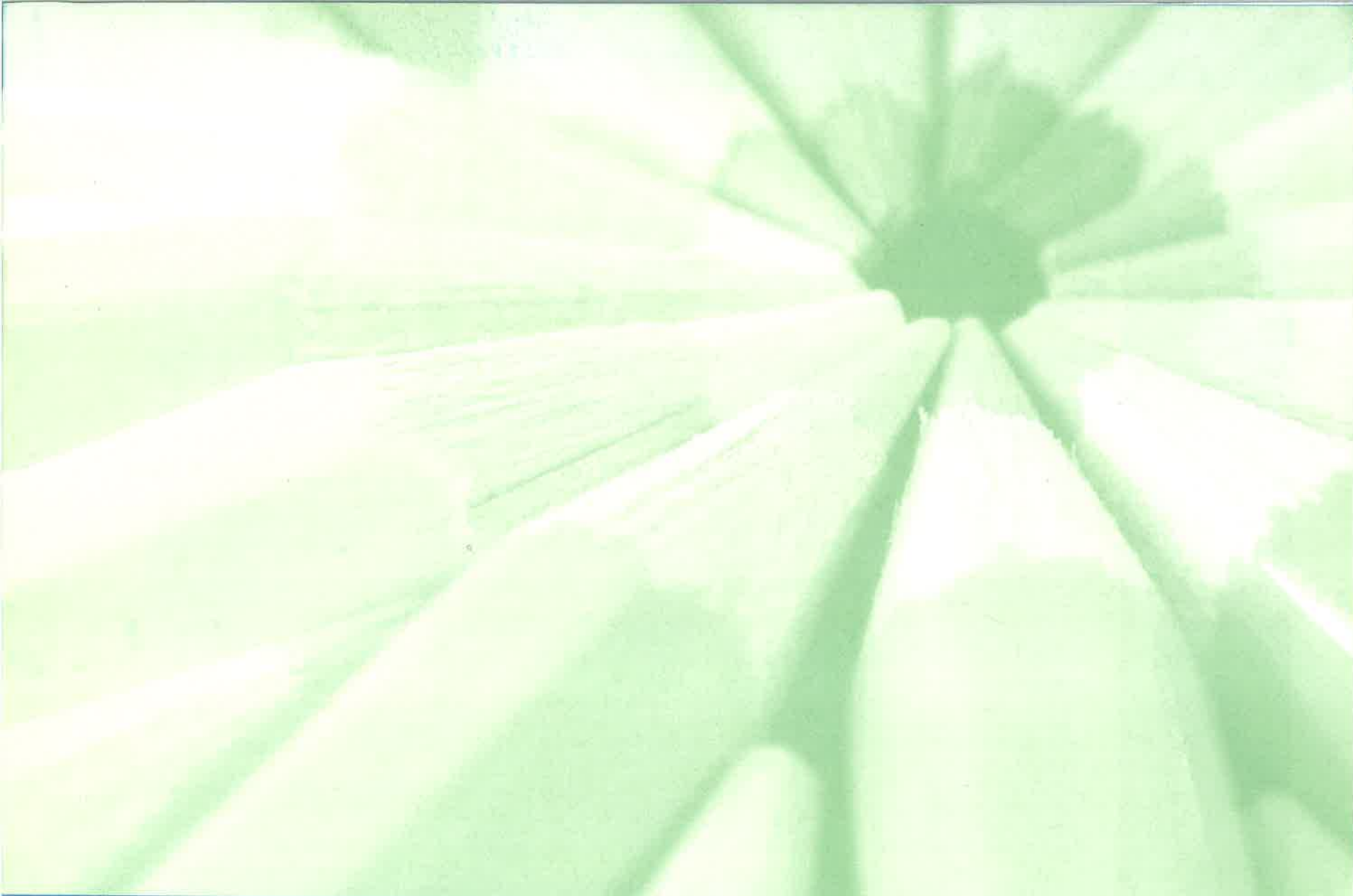
GRI uses an open process to develop new Reporting Framework components or update existing material through its engagement with businesses, civil society, labour and other professional institutions worldwide in a consensus-seeking approach.

The Guidelines are the foundation upon which all other GRI reporting guidance is based, and outline core content for reporting that is broadly relevant to all organizations regardless of size, sector or location. The Guidelines contain principles and guidance, as well as standard disclosures. Protocols provide detailed guidance for how to respond to indicators and how to set the report boundary. Protocols include definitions for key terms, compilation methodologies, and other technical references.

Sector Supplements complement (not replace) use of the Guidelines by capturing the unique set of sustainability issues faced by different sectors such as mining, automotive, financial, public agencies and others. National Annexes will soon be developed for use in conjunction with the Guidelines, and will address country or regional sustainability issues.

GRI uses an open, inclusive and global approach to develop new Reporting Framework components or update existing material through its engagement with businesses, civil society, labour and other professional institutions in a consensus-seeking approach.





Making the Global Compact – GRI Connection

Any COP/G3 report that achieves a GRI Application Level A will automatically be nominated³ for the Notable COP recognition.

Making the UN Global Compact – GRI Connection

Use of the GRI G3 Guidelines can enhance Global Compact participants' communication with their stakeholders in a number of key ways:

- The G3 Guidelines address key aspects of the Global Compact by covering the status of implementation and performance for each Global Compact principle.
- GRI's indicators and disclosures are designed to ensure presentation of a reporter's performance and achievements in an appropriate and relevant context (strategy and vision, management systems and other context-setting information).
- Aside from content coverage, the G3 Guidelines provide guidance on many relevant decisions related to reporting that enhance the quality of the COP.
- Usage of the G3 Guidelines provides an incremental approach that allows and encourages companies to increase reporting at their own pace. This is consistent with the concept of continuous improvement upon which the COP is based.
- Knowledge accumulated in the GRI Guidelines over the last ten years provides a global, multi-stakeholder view on how to assess performance around the same issues covered by the GC principles.

As both Global Compact and the GRI are based on the concept of encouraging continual improvement there is a significant alignment in approaches to quality and

"Companies participating in both initiatives have long stressed the understanding that the GRI is a practical expression of the Global Compact."

Georg Kell, Executive Director of the Global Compact

scope of reporting. Neither organization is in a position to judge the veracity of the reports submitted under their respective frameworks (GRI Guidelines or GC COPs). Therefore both organizations, independently, have developed systems – GRI Application Levels and the Global Compact Notable COPs—that assess the degree to which the frameworks have been applied without judging the quality of the submission. Coincidentally these programs are similar enough that one can inform the other.

The new G3 Guidelines includes an Application Levels system which is intended to demonstrate a pathway for incrementally developing, expanding

and deepening reporting over successive reporting cycles.

The Levels provide a system for an organization to inform readers about which elements of the GRI Reporting Framework were applied in preparation of their report. There are three levels in the system (A, B and C); which designate increasing coverage of reporting criteria from the GRI Reporting Framework, with A being the highest level and C the lowest. For a description of the requirements for each level please refer to the GRI website.

To encourage companies to develop high-quality communications on progress, the Global Compact Office has created a "Notable" category for COPs. A COP may be designated as "Notable" if it closely follows the requirements of the COP policy and also provides robust information on a company's actions to implement the principles. Companies will be considered COP Champions after their COPs have been classified as "Notable" for three consecutive years. COP Champions are asked to act as mentors to other organizations that are beginning the process of implementing the Global Compact principles. A list of Notable COPs can be found on the Global Compact website.

The Application Level approach can also be useful for COP reporters to incrementally improve the scope of their COP reports and therefore any COP/G3 report that achieves a GRI Application Level A will automatically be nominated for the Notable COP recognition.

³ Participation within the Notables category is subject to a process outlined at http://www.unglobalcompact.org/CommunicatingProgress/notable_cops.html.

The following table summarizes how GRI disclosures cover the key COP elements. A more elaborate table that presents how the ten principles can be directly addressed and woven throughout a GRI-based sustainability report is located on pages 11-16. Finally, a third table that shows the direct and indirect links between the GRI indicators and the GC principles can be found in Annex A.

Additional resources for implementing the Global Compact principles and further understanding both initiatives are included in Annexes B and C, respectively.

Summary of Alignment Between COP Elements and G3 Guidelines

COP Element	G3 Guidelines Disclosures
A statement of continuing support for the Global Compact in a message from the Chief Executive Officer or other senior executive.	Strategy and Analysis Support for the Global Compact and how the ten principles influence the company's strategy can be presented in a CEO letter.
References, links or descriptions of policies, commitments and systems the company has created in order to implement the Global Compact principles in its operations.	Governance, Commitments, Engagement Descriptions of statements of mission or values, codes of conduct, and principles, and of charters, or other initiatives the company endorses that assist the company in addressing sustainability issues, along with high level processes for setting strategies, defining risk and opportunities, can be used to demonstrate commitment to implementation of GC principles.
	Disclosure on Management Approach (DMA) Overview of the company's management approach in each category (e.g. human rights) providing insight into how the GC principles are put into practice.
Description of practical actions that the participant has taken in the previous year to implement the ten Global Compact principles.	Disclosure on Management Approach (DMA) and Select Performance Indicators Explanation of management approach can also incorporate description of practical steps taken. Furthermore, select performance indicators ask for descriptions of actions in addition to quantitative data.
Measurement of outcomes using, as much as possible, standard indicators or metrics.	Performance Indicators Stating performance shows outcomes and results for economic, environmental and social categories. Performance on each of the GC principles is covered with one or more indicators.

A conceptual image featuring a hand holding a smooth, light-colored stone above a stack of four similar stones. The stones are arranged vertically, with the top stone being held by the hand. The background is a solid light blue. A dark blue horizontal band is positioned across the middle of the image, containing the title text.

How to Structure Your COP/G3 Report

How to Structure Your COP/G3 Report

Fortunately – and unfortunately – there is no single prescribed structure to prepare a sustainability report or a COP.

The field of reporting continues to evolve rapidly as organizations innovate their approaches to structuring their reporting. Therefore, it is impossible to provide Global Compact participants with a single method of preparing a sustainability report that meets the COP requirements. The following table is not meant to be prescriptive nor a checklist, rather

it provides detailed guidance on integrating COP reporting into a G3-based sustainability report. The Report Sections listed in the first column are taken from the Standard Disclosures section of the G3 Guidelines. Companies are encouraged to consider the structure suggested below.

Sustainability Reporting

The relatively short history of sustainability reporting shows that quality reports can follow various structures and themes.

Communicating Progress via the GRI Guidelines Structure

GRI G3 Disclosure Section	GRI G3 Disclosures ⁴	Relevance for COP	COP Element Addressed
Strategy and Analysis	<ul style="list-style-type: none"> Profile Disclosure 1.1 – Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy. Profile Disclosure 1.2 – Description of key impacts, risks, and opportunities 	A statement of ongoing commitment to the Global Compact from the CEO/Chair should be included in an opening letter. The CEO's letter may also mention how the Global Compact influences strategy and management, referring to key impacts, risks and opportunities, and may describe key actions and achievements that support the principles.	Statement of Continuing Support.
Organizational Profile	<ul style="list-style-type: none"> Profile Disclosures 2.1-2.10 	Descriptions of company size, nature, and locations present the context for understanding actions and performance on GC principles.	No specific COP requirement.
Report Parameters	<ul style="list-style-type: none"> Profile Disclosures 3.1-3.13 	Descriptions of report scope provide readers with understanding of any qualifications or limitations of the report.	No specific COP requirement.

⁴ Please refer to the G3 Indicator Protocols on the GRI website for definitions and compilation methods for each indicator. Other indicators not listed in the table are indirectly relevant for some of the Global Compact principles. Please refer to the GC – GRI Cross Reference Table in Annex A for more information.

GRI G3 Disclosure Section	GRI G3 Disclosures ⁴	Relevance for COP	COP Element Addressed
Governance, Commitments and Engagement	<ul style="list-style-type: none"> Profile Disclosure 4.8 – Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. Profile Disclosure 4.12 – Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses. Profile Disclosure 4.13 – Memberships in associations (such as industry associations) and/or national/international advocacy organizations. 	Statements of commitment provide background for measuring company actions and performance against GC principles.	References, links or descriptions of policies and commitments the company has created in order to implement the Global Compact principles in its operations.
	<ul style="list-style-type: none"> Profile Disclosure 4.1 – Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight. Profile Disclosure 4.9 – Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. 	The existence of a mechanism for high-level oversight of aspects relevant for the Global Compact indicates that the company is dedicated to GC principles and continuous improvement.	No specific COP requirement.
	<ul style="list-style-type: none"> Profile Disclosure 4.16 – Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. 	Explanation of how the company engages stakeholders can illustrate how the COP is shared.	Sharing the COP with the Company's Stakeholders.
Management Approach and Performance Indicators			
Economic	<ul style="list-style-type: none"> EC2 – Financial implications and other risks and opportunities for the organization's activities due to climate change. EC5 – Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation. EC7 – Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation. 	Although the Global Compact does not specifically request reporting on economic issues, economic performance is recognized as a foundational part of a company's health.	No specific COP requirement.
Environmental	<ul style="list-style-type: none"> Disclosure on Management Approach on Environment 	Description of management approach can provide insight into systems set up to tackle environmental issues addressed by GC principles. Description of any major changes (actions) to management systems or structures to improve performance show the quality of management approach and desire to further implement GC principles.	Systems and Actions for Principles 7, 8, 9

GRI G3 Disclosure Section	GRI G3 Disclosures ⁴	Relevance for COP	COP Element Addressed
Environmental	<ul style="list-style-type: none"> • Profile Disclosure 4.11 – Explanation of whether and how the precautionary approach or principle is addressed by the organization. 	Explanation of a company's approach to risk management in operational planning or the development and introduction of new products can address precautionary principle.	Outcomes realized regarding Principle 7: "support a precautionary approach to environmental challenges".
	<ul style="list-style-type: none"> • EN2 – Percentage of materials used that are recycled input materials. • EN5 – Energy saved due to conservation and efficiency improvements. • EN6 – Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives during the reporting period. • EN7 – Initiatives to reduce indirect energy consumption and reductions achieved. • EN10 – Percentage and total volume of water recycled and reused. • EN13 – Habitats protected or restored. • EN14 – Strategies, current actions, and future plans for managing impacts on biodiversity. • EN18 – Initiatives to reduce greenhouse gas emissions and reductions achieved. • EN21 – Total water discharge by quality and destination. • EN22 – Total weight of waste by type and disposal method. • EN26 – Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. • EN27 – Percentage of products sold and their packaging materials that are reclaimed by category. • EN30 – Total environmental protection expenditures and investments by type. 	Reporting on relevant G3 environmental indicators highlights initiatives to promote greater environmental responsibility. Even statistical indicators (e.g. amount of emissions) provide insight on this principle.	Outcomes realized regarding Principle 8: "undertake initiatives to promote greater environmental responsibility".
	<ul style="list-style-type: none"> • EN2 – Percentage of materials used that are recycled input materials. • EN5 – Energy saved due to conservation and efficiency improvements. • EN6 – Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives during the reporting period. • EN7 – Initiatives to reduce indirect energy consumption and reductions achieved. • EN10 – Percentage and total volume of water recycled and reused. • EN18 – Initiatives to reduce greenhouse gas emissions and reductions achieved. • EN26 – Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. • EN27 – Percentage of products sold and their packaging materials that are reclaimed by category. 	Relevant G3 Environmental indicators can provide direct insight into results of a company's approach to development of environmentally friendly technologies.	Outcomes realized regarding Principle 9: "encourage the development and diffusion of environmentally friendly technologies".

GRI G3 Disclosure Section	GRI G3 Disclosures ⁴	Relevance for COP	COP Element Addressed
Labour Practices and Decent Work ⁵	<ul style="list-style-type: none"> Disclosure on Management Approach on Labour Practices and Decent Work. 	Description of management approach can provide insight into systems set up to tackle labour issues addressed by GC principles. Description of major changes (actions) to management systems or structures to improve performance can show desire to further implement GC principles.	Systems and Actions for Principles 3, 6.
	<ul style="list-style-type: none"> HR5 – Operations identified where the right to exercise freedom of association and collective bargaining may be at significant risk, and actions to support these rights. LA4 – Percentage of employees covered by collective bargaining agreements. LA5 – Minimum notice period(s) regarding operational changes, including whether specified in collective agreements. HR4 – Total number of incidents of discrimination and actions taken. LA2 – Total number and rate of employee turnover broken down by age group, gender, and region. LA13 – Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. LA14 – Ratio of basic salary of men to women by employee category. 	<p>Relevant G3 Labour and Human Rights indicators can provide direct insight into company's actions to uphold freedom of association and the right to collective bargaining.</p> <p>Relevant G3 Labour and Human Rights indicators can provide direct insight into company's actions to eliminate discrimination.</p>	<p>Outcomes realized regarding Principle 3: "uphold the freedom of association and the effective recognition of the right to collective bargaining".</p> <p>Outcomes realized regarding Principle 6: "uphold the elimination of discrimination in employment and occupation".</p>

⁵ Although GRI and Global Compact divide labour practices and human rights among different categories, all of the relevant Global Compact principles are addressed with the GRI indicators and elements specified in this table. It does not matter where within a sustainability report a company discusses these issues as long as they are covered.

GRI G3 Disclosure Section	GRI G3 Disclosures ⁴	Relevance for COP	COP Element Addressed
Human Rights	<ul style="list-style-type: none"> Disclosure on Management Approach on Human Rights 	Description of management approach can provide insight into systems set up to tackle human rights issues addressed by GC principles. Description of any major changes (actions) to management systems or structures to improve performance can demonstrate desire to further implement GC principles.	Systems and Actions for Principles 1, 2, 4, 5, 6
	<ul style="list-style-type: none"> HR1-9 	Relevant G3 Human Rights indicators can provide direct insight into a company's performance on internationally accepted human rights. Some of these indicators are also directly relevant for other GC principles.	Outcomes realized regarding Principle 1: "support and respect the protection of internationally proclaimed human rights".
	<ul style="list-style-type: none"> HR1 – Percentage and total number of significant investment agreements that include human rights clauses or that underwent human rights screening. HR2 – Percentage of significant suppliers and contractors that underwent screening on human rights and actions taken. HR8 – Percentage of security personnel trained in the company's policies or procedures concerning aspects of human rights relevant to operations. 	Results of specific screening and training efforts on the part of companies can demonstrate how they avoid complicity in human rights abuses.	Outcomes realized regarding Principle 2: "make sure that they are not complicit in human rights abuses".
	<ul style="list-style-type: none"> HR7 – Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labor. 	Risk identification and related measures can demonstrate how a company contributes to the elimination of forced or compulsory labour.	Outcomes realized regarding Principle 4: "uphold the elimination of forced and compulsory labour".
	<ul style="list-style-type: none"> HR6 – Operations identified as having significant risk for incidents of child labour and measures to contribute to eliminate child labor. 	Risk identification and related measures can demonstrate how a company contributes to the elimination of child labour.	Outcomes realized regarding Principle 5: "uphold the effective abolition of child labour".

GRI G3 Disclosure Section	GRI G3 Disclosures ⁴	Relevance for COP	COP Element Addressed
Society	<ul style="list-style-type: none"> Disclosure on Management Approach on Society 	Description of management approach can provide insight into systems set up to tackle anti-corruption. Description of major changes (actions) to management systems or structures to improve performance can demonstrate desire to further implement GC principles.	Systems and Actions for Principle 10: "work against corruption in all its forms, including extortion and bribery".
	<ul style="list-style-type: none"> S02 – Percentage and total number of business units analyzed for risks related to corruption. 	Relevant G3 Society indicators can provide direct insight into a company's performance on anti-corruption.	Outcomes realized regarding Principle 10: "work against corruption in all its forms, including extortion and bribery".
	<ul style="list-style-type: none"> S03 – Percentage of employees trained in organization's anti-corruption policies and procedures. 		
	<ul style="list-style-type: none"> S04 – Actions taken in response to incidents of corruption. 		
Product Responsibility	<ul style="list-style-type: none"> PR3 – Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. PR4 – Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. 	<ul style="list-style-type: none"> Although the Global Compact does not specifically request reporting on product responsibility issues, disclosure on product and service information and labeling can illustrate how a company is undertaking initiatives to promote greater environmental responsibility. 	No specific COP requirement.

Other Report Structures

There are numerous ways to structure a sustainability report based on GRI's G3 Guidelines. The structures outlined below include some of the more popular alternatives for reporting on disclosures within the G3 Guidelines.

Importantly, any sustainability report based on the GRI Guidelines should use the GRI reporting principles to apply the various disclosures contained within the Guidelines (e.g. Strategy and Analysis, Organizational Profile).

Principles-Based

Many COPs use a principles-based approach that presents the commitments, systems, actions and performance for each of the ten Global Compact principles. The advantage of this approach is that it shows very clearly how each principle is being implemented and performance tracked. It can be helpful to include a table that provides a useful map to the principles and specific commitments, systems, actions and performance elements. However, a simple table of contents that points a reader in the direction of vague information regarding an issue area is not considered a notable COP effort.

When choosing the principles-based approach, a company should use the GC – GRI Cross Reference Table in Annex A to identify which reporting indicators should be included in each principle section of the report. This format is often ideal for companies creating their COP online since the various references can be hyperlinked.

Stakeholder-Based

Many companies use their sustainability report to address their individual stakeholder groups (e.g. consumers, local communities, governments) by dedicating a separate report section to these groups. Because companies are so diverse, it is impossible to suggest a fixed list of stakeholders to address and build a guidance table to suit. It is more advisable to suggest a process for companies to follow to ensure their stakeholder-based report covers all COP components.

Once a company identifies its primary stakeholders, the next step is to determine which of the ten principles are related to each stakeholder. For example, environmental advocates would be most interested in company information related to Principles 7, 8, and 9. After identifying principles relevant to each stakeholder, a company should use the GC – GRI Cross Reference Table in Annex A to identify which reporting indicators should be included in each stakeholder section of the report.

Issues-Based

Many companies choose to structure their sustainability report based on the primary issues they face, such as supply chain or environmental management. The range of issues is expansive. Instead of attempting to provide an exhaustive list of issues, and correlating principles and indicators to them, it is better to suggest a process for companies to follow that ensures their issues-based report covers all COP components.

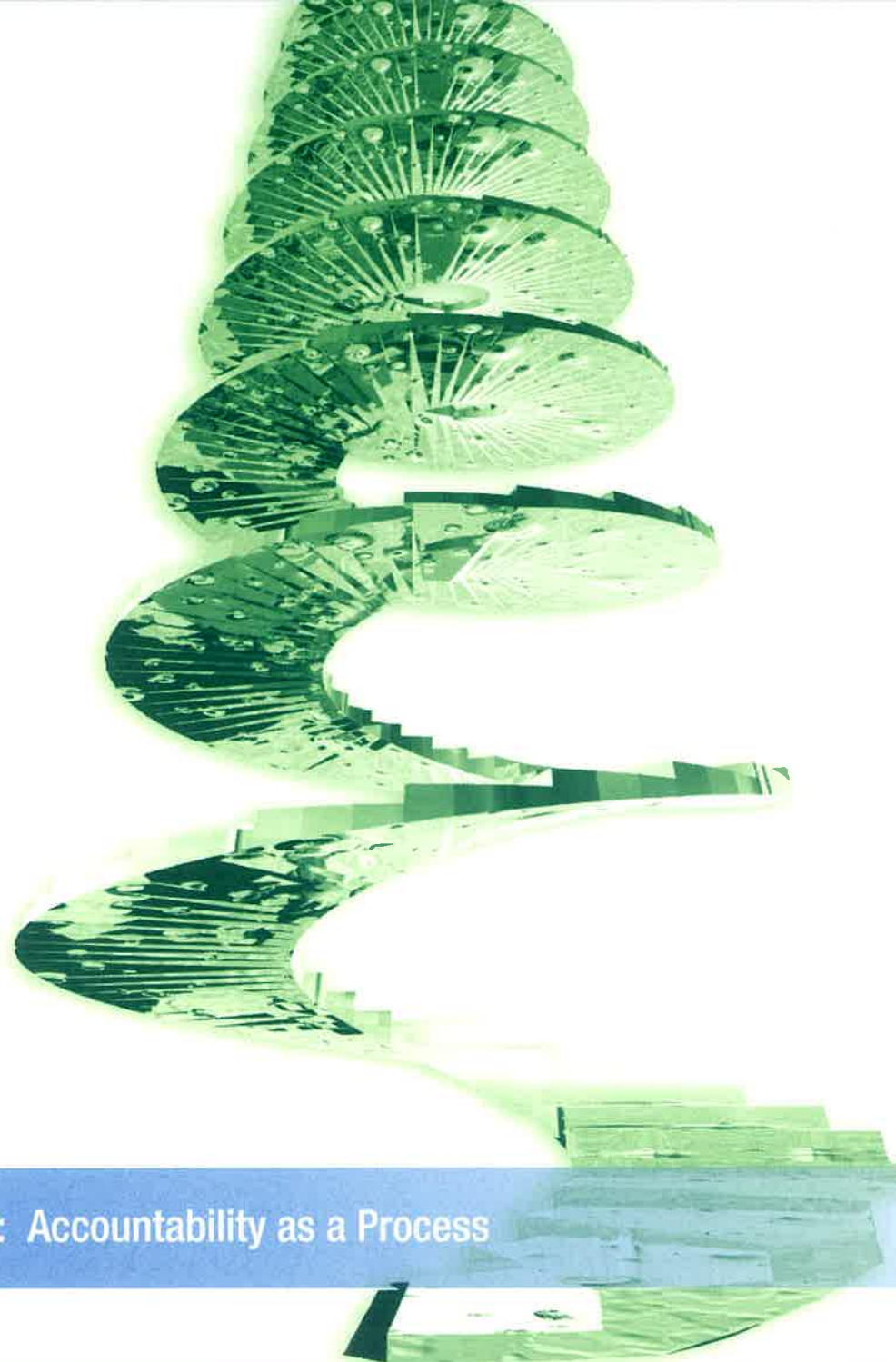
Once a company identifies its primary issues, the next step is to determine which of the ten principles are related to each issue. In some cases, several principles will be relevant to the issue. For example, a company pursuing strong supply chain performance might need to report on how they are working with suppliers to ensure they are not complicit in human rights abuses, eliminate corruption and promote environmental responsibility. After identifying principles relevant to each issue, a company should use the GC — GRI Cross Reference Table in Annex A to identify which reporting indicators should be included in each issue section of the report.

Geography-Based

For multinational companies, a geography-based report might be an option. In a sense, this is just another form of issues-based reporting, as a company would address issues specific to different geographic regions. For example, in regions found to have a high level of bribery and corruption, a reporting company should cover Principle 10 in more depth. Similarly, sections of the report that cover operations in countries where the company encounters human rights challenges will require greater attention to Principles 1-6.

General Steps for Creating a Report Using Other Structures

1. Ensure that GRI Profile Disclosures (1-4) are included and GRI reporting principles for defining content and ensuring quality are applied regardless of what structure is adopted.
2. Identify primary issues (or stakeholders, or regions).
3. Identify relevant Global Compact principles.
4. Ensure disclosure on management approach (DMA) for each category is addressed.
5. Use GC – GRI Cross Reference Table in Annex A to determine which GRI indicators and elements to include in each report section.



Final thoughts: Accountability as a Process

Final Thoughts: Accountability as a Process

A company's sustainability reporting and COP preparation are living processes that do not begin or end with a publication. Reporting should fit into a broader process for setting organizational strategy, implementing action plans and assessing outcomes. The values and actions of an organization should drive the reporting process; it is not the reporting process that drives actions.

The value of sustainability reporting is not only found in the final product but also in the process. Leading companies are using the reporting process as an internal management tool – to drive continuous improvement by:

- taking the crucial first step of articulating their sustainability strategy and vision;
- connecting numerous departments (e.g. human resources, environment, health and safety, operations, community relations), and exploring opportunities for learning, innovation and enhanced internal communications;
- recognizing practices that have led to strong performance, which could be shared internally;
- pinpointing areas of poor performance, which could lead to program

changes, target-setting, or modified staff responsibilities;

- identifying required management system improvements, like data tracking or safety inspections;
- engaging stakeholders in the reporting process, which can lead to significant learning and future collaboration; and
- highlighting short- and long-term business risks and opportunities.

Preparing a COP/G3 sustainability report is an integral part of the process required to implement a company's sustainability vision. The report serves as a marker and begins the process of improvements once more—an end and a beginning.

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Annex A: GC Principles – GRI Indicators Cross Reference Table

Global Compact Issues Areas	GC Principles	Directly Relevant GRI Indicators	Indirectly Relevant GRI Indicators
Human Rights	Principle 1 – Businesses should support and respect the protection of internationally proclaimed human rights.	HR1-9	LA4, LA13, LA14 ; S01
	Principle 2 – Businesses should ensure that they are not complicit in human rights abuses.	HR1 - 2, HR8	
Labour Standards	Principle 3 – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5; LA4, LA5	
	Principle 4 – Businesses should uphold the elimination of all forms of forced and compulsory labour.	HR7	HR1 - 3
	Principle 5 – Businesses should uphold the effective abolition of child labour.	HR6	HR1 - 3
	Principle 6 – Businesses should uphold the elimination of discrimination in respect of employment and occupation.	HR4; LA2, LA13, LA14	HR1, 2; EC5, EC7; LA3
Environment	Principle 7 – Businesses should support a precautionary approach to environmental challenges.	Profile Disclosure 4.11	EC2
	Principle 8 – Businesses should undertake initiatives to promote greater environmental responsibility.	EN2, EN 5 - 7, EN10, EN13 - 14, EN18, EN 21 - 22, EN 26 - 27, EN30	EC2; EN1, EN3 - 4, EN8 - 9, EN 11 - 12, EN 15-17, EN19 - 20, EN 23-25. EN 28 - 29: PR3 - 4
	Principle 9 – Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN2, EN 5 - 7, EN 10, EN 18, EN 26 - 27	
Anti-Corruption	Principle 10 – Businesses should work against all forms of corruption, including extortion and bribery.	S02 - 4	S05 - 6

Annex B: Where to Begin Implementing the 10 Principles

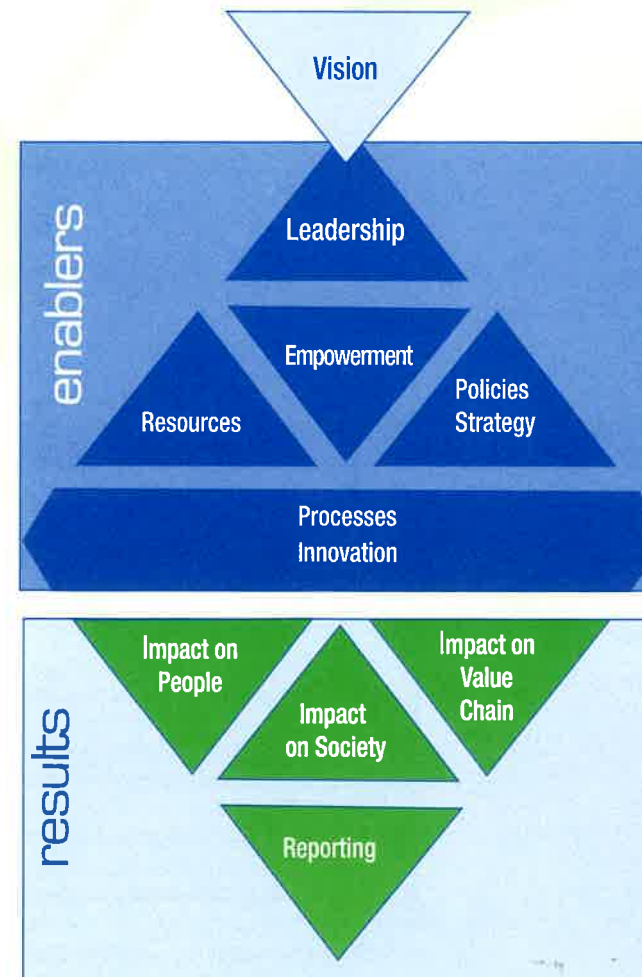
The Global Compact Performance Model is intended to provide guidance to companies beginning on the path to implement the GC principles. Small and large companies alike are sometimes perplexed by where to begin in implementing the Global Compact principles. The principles are simple, yet not always easy to apply.

The Global Compact Performance Model offers a map to guide business through the process of implementing the Global Compact principles and connecting this implementation with their other business goals, including transparency. The Model may be particularly useful for companies that are not sure where to start in embarking on the continual improvement process that is a key expectation of engagement in the Global Compact. Use of the Model is not mandatory.

The Model evolved from analysis of and dialogue about companies' actual experiences in trying to internalize the principles. From this analysis and dialogue a degree of consensus emerged around the critical factors for successful implementation of the Global Compact.

The Model comprises ten elements of business practice, each represented by a separate segment in the diagram to the right. The elements can be divided into two categories: "enablers" and "results". Enablers help create an enthusiastic, focused, winning organization. Results measure, evaluate and communicate the key outcomes and progress in achieving the vision.

For more information on this tool please go to http://www.unglobalcompact.org/docs/issues_doc/7.3/7.3.4/gc_perfmod_1102.pdf



Annex C: Resources

Communicating Business Contributions to the Millennium Development Goals

Explains how companies can use the GRI Guidelines to illustrate their contributions to the MDGs.
Available at <http://www.globalreporting.org>

COP Templates

Available at http://www.unglobalcompact.org/CommunicatingProgress/COP_Templates.html

Global Compact Communication on Progress website

Available at <http://www.unglobalcompact.org/CommunicatingProgress/index.html>

Global Compact Integrity Measures

Available at <http://www.unglobalcompact.org/AboutTheGC/integrity.html>

GRI Sustainability Reporting Guidelines

Available at <http://www.globalreporting.org>

High 5!: Communicating Your Business Success Through Sustainability Reporting—A Guide for Small and Not-so-Small Businesses

Global Reporting Initiative, 2004.
Available at <http://www.globalreporting.org/sme>

Leading the Way on Communication on Progress

Available at http://www.unglobalcompact.org/docs/communication_on_progress/4.3/leading_the_way.pdf

Practical Guide to Communication on Progress

Available at http://unglobalcompact.org/docs/communication_on_progress/4.3/pock_guide.pdf

Raising the Bar – Creating Value with the United Nations Global Compact

Claude Fussler, Aron Cramer, and Sebastian van der Vegt, Greenleaf Publishing, 2004.
Available at <http://www.greenleaf-publishing.com/catalogue/rtbar.htm>

Striking the Balance – Sustainable Development Reporting

Heemskerk, Pistorio, Scicluna, 2002.
Available at the World Business Council for Sustainable Development's sustainability reporting website (<http://www.sdportal.org>) at http://qpub.wbcd.org/web/sdportal/publication/20030106_sdreport.pdf

How Your Company Can Participate in the Global Compact

As a voluntary initiative, the Global Compact seeks wide participation from a diverse group of businesses and other organizations. To participate in the Global Compact, a company:

- Sends a letter from the Chief Executive Officer (and endorsed by the board) to the Secretary-General expressing support for the Global Compact and its principles;
- Sets in motion changes to business operations so that the Global Compact and its principles become part of strategy, culture and day-to-day operations;
- Is expected to publicly advocate the Global Compact and its principles via communications vehicles such as press releases, speeches, etc.; and
- Is expected to publish in its annual report or similar corporate report (e.g., sustainability report) a description of the ways in which it is supporting the Global Compact and its ten principles (i.e. a Communication on Progress).

www.unglobalcompact.org

How Your Company Can Become a GRI Reporter

GRI welcomes your involvement in the GRI network; whether you are new to reporting, an experienced practitioner or somewhere in between.

The GRI Reporting Framework is intended to serve as a generally accepted framework for reporting on an organization's economic, environmental, and social performance. It is designed for use by organizations of any size, sector, or location. The Framework contains general and sector-specific content that has been identified by a wide range of stakeholders around the world to be generally applicable for reporting an organization's sustainability performance. To get started with reporting:

1. Obtain a copy of the G3 Guidelines from the GRI website.
2. Use the Reporting Principles to help guide decisions about what to report on and how to report it, then use the Standard Disclosures to prepare your report.
3. Register your report online and declare the level to which you have used the Guidelines following the GRI Application Level criteria.
4. You can request that GRI review your self-declared Application Level and add your report to its online database.
5. Logon to GRI's website to find out how you can get actively involved in the GRI network, or to access a wide variety of supporting tools GRI offers to help you with reporting.

www.globalreporting.org

Notes

Notes



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THE GLOBAL
COMPACT

Making the Connection

Using the GRI's G3 Reporting Guidelines for the UN Global Compact's Communication on Progress

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