

# You spoke, we listened: Towards the next generation of GRI Guidelines

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Two years after the release of the Sustainability Reporting Guidelines, the Global Reporting Initiative (GRI) entered into dialogue with 450 experts worldwide to find out how to make them even better. This article describes how their feedback was used to construct a work programme that builds on the existing framework, yet increases utility for reporting organisations and information seekers alike. As a result, intensive work will occur over the next 18 months, with the launch of the next generation of Guidelines expected in the first half of 2006.

The Sustainability Reporting Guidelines have seen a three-fold increase in use since their release at the 2002 World Summit for Sustainable Development in Johannesburg. Today nearly 500 organisations headquartered in 45 countries use the GRI Guidelines to report on their sustainability performance (see Figure 1). Overall, the current Guidelines are the result of five years of effort involving hundreds of individuals from around the world and a diverse range of constituencies including business, civil society, investors, labour, accountants, academia, and local communities. Interest in reporting has grown beyond the corporate sector to include the first government and NGO reporters.

Reporting as a practice has moved into a new stage of development and is now attracting attention from mainstream arenas such as capital markets. This, in turn, is creating pressure to elevate the quality of the GRI Framework of reporting guidance to another level of more robust and precise reporting. The Guidelines are now complemented with sector supplements and technical protocols to help further enhance relevance and functionality of reporting (see Figure 2). However, like all GRI products, it has been understood that the Guidelines and other elements of the GRI Framework are a work in progress and part of an ongoing multi-stakeholder dialogue on how to innovate a generally accepted reporting framework.

## The success factor

How has sustainability reporting – and the rise of GRI as one of the most important information exchange platforms – occurred so rapidly? The success factor is the multi-stakeholder component which underlies all of GRI's product development and innovation. This success factor is once again at the heart of GRI's processes as

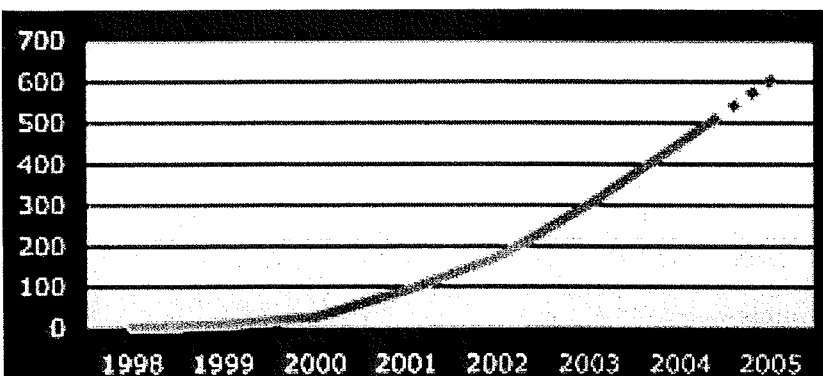


Figure 1. Number of organisations releasing GRI-based sustainability reports.

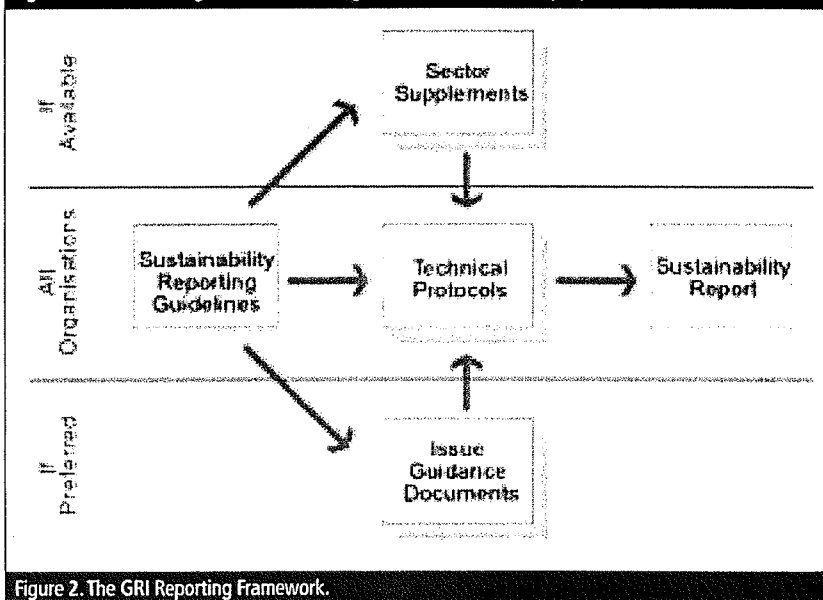


Figure 2. The GRI Reporting Framework.

it moves toward the development of the next generation of GRI Guidelines.

To test the reaction and learning from the 2002 Guidelines, GRI completed a Structured Feedback Process (SFP) between July 2003 and March 2004. Nearly 450 individuals worldwide participated by filling out a questionnaire and attending one of seven regional roundtables. This process was GRI's most extensive single outreach programme to date, and provided valuable feedback and direction on the innovations needed to

move the GRI Framework to the next level of its development.

## A global dialogue on the 2002 Guidelines: 10 key messages

Participants in the SFP included practitioners that have used GRI's Framework as reporting guidance and/or used GRI-based reports for benchmarking, assessing and surveying corporate performance, rating and ranking as well as for making investment decisions.

Designing the dialogue sessions proved rather complex. It was clear from the beginning that many of the most important issues to be discussed around the Guidelines were interrelated and couldn't be separated from each other. For example:

- A discussion on changing the concept of incremental reporting would need to be linked to consequences for the concept of the 'in accordance' status; or
- A discussion about more flexibility when using the Guidelines couldn't occur without talking about the effects on the comparability of report information.

GRI took this interconnectedness into account and organised breakout groups around interrelated topics. Figure 3 gives an overview of how the multi-stakeholder discussions at the roundtables were organised. A resulting set of "10 main messages" emerged from these discussions, and were the key influencing factors for GRI's plan for developing the next generation of reporting guidance. Box 2 contains the 10 key messages from SFP participants.

### Introducing the next generation of GRI Guidelines

The messages from the SFP are a sign of the maturation of reporting as organisations seek to better learn how to use reports – both in terms of adding value to business practice, or as tools for investment decisions. Continued uptake of the Guidelines depends not only on innovations in reporting guidance, but also on the quality of the multi-stakeholder process used to develop it. Ultimately, sustainability is a question that touches on all constituencies and the risks and opportunities emerge through their interaction over the issues. This process started with an extensive global dialogue which will continue throughout the entirety of the development phase.

The 2002 Guidelines remain a valuable and widely-recognised base of intellectual capital for reporting, but are now ready for another stage of innovation to take sustainability reporting to the next level of utility and relevance for all stakeholders. Innovations in the next generation of the Guidelines will aim at:

- Broadening the uptake of the GRI Framework, both in geographic terms and total numbers;
- Deepening the level of consistency among existing GRI-based reports

### Box 1. SFP Participants:

- 112 direct responses to the questionnaire were statistically analysed and helped to inform and design the interactive roundtables;
- 416 individuals took part in regional roundtables in Belo Horizonte (South America), New York (North America), Melbourne (Oceania), Hong Kong (Asia/Pacific), Johannesburg (Africa), Geneva (Europe) and Tokyo (Japan).

Capacity constraints and the interactive roundtable design did not allow for more than one person per organisation and a maximum of 60 organisations per roundtable. The total number of applications for spaces at SFP roundtables worldwide – nearly 800 – shows that interest in the Guidelines and contributing to their revisions and innovation has never been higher.

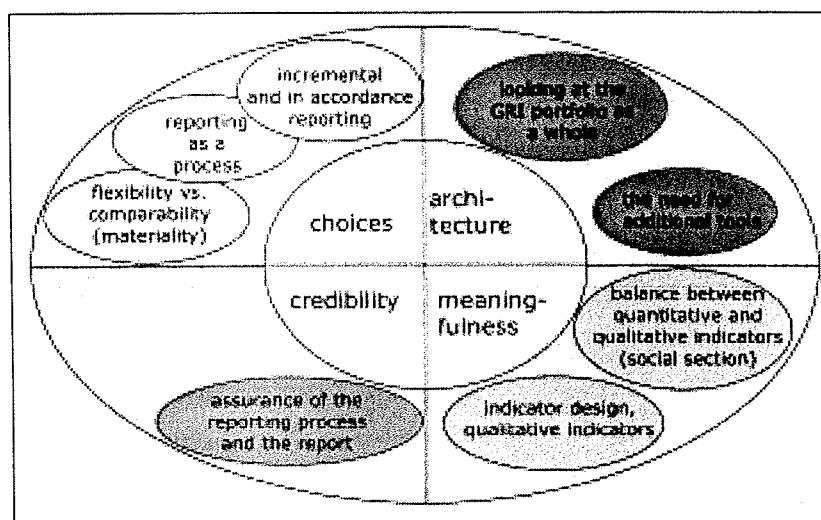


Figure 3. Areas to focus on during the development of the next generation of Guidelines

(i.e. from lightly using an incremental approach to a more structured and comparable approach to GRI reporting).

Reporting as a practice has moved into new stage of development and is now attracting attention from mainstream arenas such as capital markets.

This will be achieved by innovating both the content of the Guidelines and the development of reporting as a system. The next generation of the Guidelines will be available in an electronic format as well as traditional print and will be designed to fit with emerging systems that enable efficient collection and dissemination of information.

### Success criteria

In undertaking the design of the next generation of Guidelines, the GRI has set the following success criteria. These are a combination of recognising short-term imperatives that will affect the immediate response to the Guidelines

and medium-term factors that will define sustained success:

- **Low migration costs:** existing users' cost for migration to the new generation must be kept at a minimum;
- **Ease of use:** Preparing reports must be made as easy and cost effective as possible without diminishing the quality or utility of the GRI Guidelines;
- **Enable prioritisation:** The number of indicators expected of a reporter must be kept within a reasonable range;
- **Greater user satisfaction:** While dependent on the combination of the Guidelines and quality of application by organisations; the ultimate objective is better reporting;
- **Improve depth and consistency:** In terms of content and structure of GRI-based reports;
- **Trust:** Generate high levels of trust among stakeholder constituencies for GRI-based reporting;
- **Decrease questionnaire fatigue:** Increase in the number of rating agencies, and institutional investment analysts that accept a GRI-based

## Box 2. 10 Key Messages from the SFP

### Architecture

A first set of issues was tackling the understanding and the design of GRI's product portfolio as a whole, and identifying whether or not additional tools are needed. How do the various pieces of the portfolio fit together? Where are areas for improvement? What additional tools are needed? Here are the main messages from the SFP:

"A full set of Technical Protocols is needed to strengthen the positioning of GRI as the leading platform for sustainability reporting. Sector Supplements and Resource Documents should help to complete the GRI Framework where funding is feasible."

"Addressing globalisation: A better understanding of the national/regional context and institutional linkages to GRI and its Portfolio is needed."

"The development of a software platform can seamlessly deliver the GRI Framework and help to bridge the gap between report preparers and information seekers. This has tremendous potential to increase the uptake of the GRI portfolio"

### Meaningfulness

This area mainly deals with questions about indicators, their general design and usefulness in various contexts. Apart from all other procedural questions about how to use the GRI Guidelines, Section C – the indicators – is very often the most read part of the Guidelines and seen as GRI's centerpiece. Here are core messages around this area:

"The overall design of the Guidelines following the "triple bottom line" approach should remain intact, but reporting organisations need more clarification on how indicators can be mixed and matched to present an overview of their business and how sustainability considerations fit in."

"Showcasing real change towards sustainability: There is a demand for more quantitative and impact-related information in all indicator sections, most prominently in the social section of the Guidelines."

"A better explanation of organisation-specific relevance of indicators will help to broaden the discussion about total number of indicators and will change the perception that GRI's framework is too prescriptive."

### Choices

Although GRI is still perceived by some as a prescriptive checklist of "need-to-cover" issues (especially by those who only read the indicator section of the Guidelines), GRI offers a lot of flexibility for reporting organisations. But where is the right threshold between choices on the one hand and need for benchmarkable and comparable information on the other?

The current version of the Guidelines offers "in accordance" status for reporters that are ready for a high level of reporting. Five conditions need to be met, including a CEO or Board statement and the use of explanations for omissions when not reporting on the core indicators.

"Defining a continuum: Incremental reporting remains an important starting point for reporting organisations but more clarity is needed to better assess where reporting organisations currently stand in their efforts, what they are striving for, and the relevance of being 'in accordance' reporters."

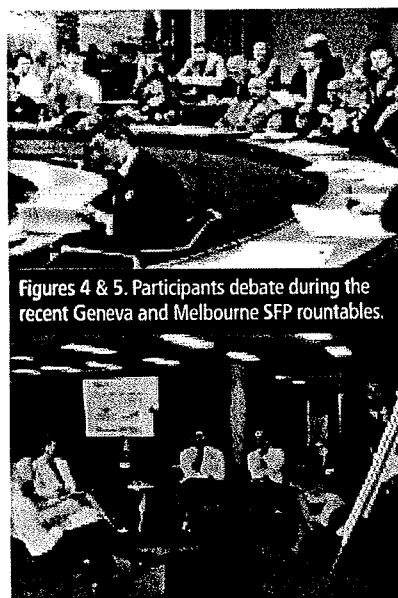
"The 'in accordance' requirements and how they are explained need to be reexamined."

"From report to reporting: The new generation of GRI Guidelines need to include more specific guidance for report preparers on the process of reporting and for information seekers on how to make best use of GRI-based report information."

### Credibility

The SFP revealed a 'changing climate' for external assurance of GRI-based reporting. Two years ago the GRI network was still undecided about the value of external assurance and emphasised that this must be seen in the context of individual decision making of each company. In 2004, the majority of participants in the SFP seemed to see benefit in external assurance today, both in terms of adding credibility externally and adding benefits internally.

"Assuring assurance: External assurance of reporting processes and verification of GRI-based reports are seen as future requirements for best-in-class reports."



Figures 4 & 5. Participants debate during the recent Geneva and Melbourne SFP roundtables.

report as the principal source for their information regarding sustainability performance.

The process of developing the next generation of Guidelines will unfold over approximately 18 months through a multi-stakeholder and transparent process.

The work will be structured in five phases that include design, drafting, synthesis, and public consultation prior to submission of a final draft version for review by the GRI governance bodies (see Figure 6). The development of software is expected to play an integral role in helping to enable the next generation of the Guidelines to maximise their utility and will unfold in parallel.

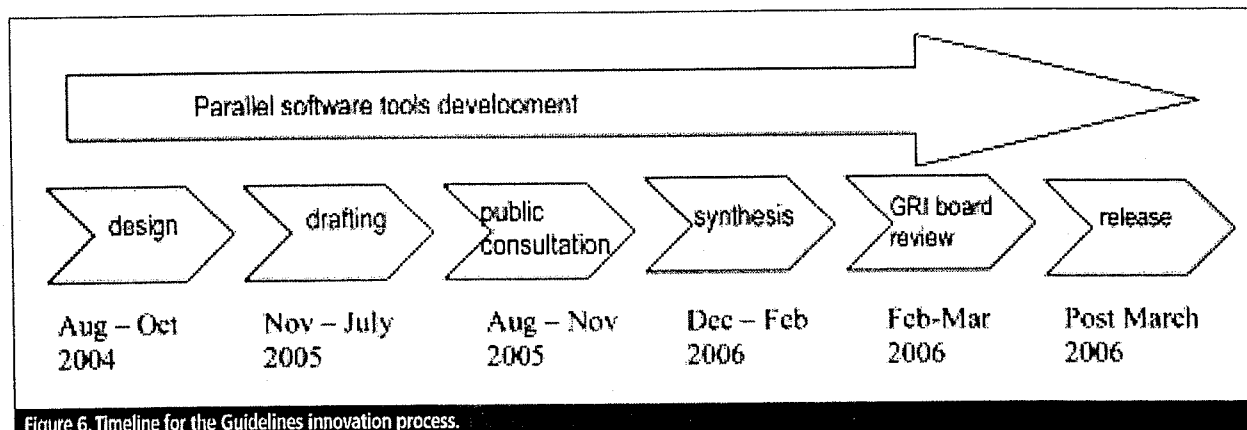
### Work flow

Several work streams will tackle the objectives (outlined above) and respond to the issues raised within the SFP. These work streams will be implemented through a combination of working groups, workshops, and electronic consultation focused on the following topic areas.

#### Topic 1: Clarity and purpose of indicators

Fine tuning the indicators will require the following tasks:

- **Clarification:** The next generation will build more protocol information, such as definitions, into the Guidelines with the goal of sharpening the focus and meaning of indicators and enhancing the overall assurability of GRI-based reports;
- **Fine tuning:** A focus on qualitative indicators, most especially in the social section;



- **Updating:** Indicators will be updated to reflect experience over the last two years and changes in the CSR/sustainability landscape.

#### Topic 2: Guidance on choices

SFP feedback revealed that users seek more explanation of the intent and guidance on choosing the best reporting path. Key areas for development include:

- **Phased approach:** Currently the Guidelines offer the terminology "in accordance" and "incremental" to describe the level of adherence with the Guidelines. The next generation will seek to present more options in the form of a phased approach to using the Guidelines;
- **Application:** How to use stakeholder engagement and the application of the GRI reporting principles to determine what aspects your organisation should report on.

#### Topic 3: Architecture and linkages

This group will work to build further synergies with other CSR and disclosure standards, as well as the Guidelines' ability to fit into capital market infrastructure.

- **Complementary to principal global standards:** Reporting is part of a broader system of accountability and organisational management. The Guidelines will be revised with the intention of enhancing synergies with other major global CSR standards;
- **Linkages to financial markets:** As GRI reporting matures, financial markets represent an important stakeholder group and the upcoming revisions will include the specific goal of better positioning the architecture and design of the Guidelines to serve investor needs while still serving other stakeholder audiences;

#### • Architecture of the GRI Framework

The next generation of the Guidelines will be developed in the context of a plan for establishing the proper balance between the Guidelines, technical protocols and sector supplements as well as external reporting sources such as national level reporting requirements.

#### Conclusion

In sum, the result is expected to be a significant step towards mainstreaming the practice of sustainability reporting. By increasing comparability and consistency, decreasing transaction costs, the GRI Reporting Framework will be scaled up to a new level of utility for reporting organisations and information seekers alike.

#### ABOUT THE AUTHOR



Dr Judy Henderson, a pediatrician by training, has an extensive record of involvement in global sustainability issues. She was a member of the Australian delegation to the 1992 Rio Earth Summit. She is a former Chair of Oxfam International, a former board member of Greenpeace International, and was a Commissioner on the World Commission on Dams. She is the immediate past Chair of Australian Ethical Investment Ltd. and is currently Chair of the Centre for Australian Ethical Research. She is also Chair of the Northern Rivers Catchment Management Authority in New South Wales and a Board Member of the NSW Environment Protection Authority. In 1998 she was appointed an Officer in the Order of Australia.

#### 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).

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