Global Reporting Initiative™

Sustainability Reporting Guidelines

on Economic, Environmental, and Social Performance

June 2000

Organisations Represented on the GRI Steering Committee:

Association of Chartered Certified Accountants *(United Kingdom)*

Canadian Institute of Chartered Accountants

CECODES (Colombian Business Council for Sustainable Development)

Centre for Science and Environment *(India)*

Coalition for Environmentally Responsible Economies *(United States)*

Council on Economic Priorities *(United States)*

Environmental Auditing Research Group *(Japan)*

General Motors Corporation *(United States)*

Green Reporting Forum *(Japan)*

Institute of Social and Ethical Accountability *(United Kingdom)*

Investor Responsibility Research Center *(United States)*

ITT Flygt *(Sweden)*

New Economics Foundation *(United Kingdom)*

SustainAbility, Ltd. *(United Kingdom)*

United Nations Environment Programme

World Business Council for Sustainable Development

World Resources Institute

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Further information on the GRI and the *Sustainability Reporting Guidelines* may be obtained from:

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Additional resources are available at www.globalreporting.org

Part A:
Introduction and General Guidance

GRI

MISSÃO = DESENVOLVER E DISSEMINAR

USO VOLUNTÁRIO

1 What Is the Global Reporting Initiative?

The Global Reporting Initiative (GRI) is a long-term, multi-stakeholder, international undertaking whose mission is to develop and disseminate globally applicable sustainability reporting guidelines for voluntary use by organisations reporting on the economic, environmental, and social dimensions of their activities, products and services.

Since its inception in 1997, the GRI has worked to design and build acceptance of a common framework for reporting on the linked aspects of sustainability—the economic, the environmental, and the social (see Box). Although in the long term the *Sustainability Reporting Guidelines* are intended to be applicable to all types of organisations, the GRI's initial development work has focused on reporting by business organisations.

> The GRI's *Sustainability Reporting Guidelines* encompass the three linked elements of sustainability as they apply to an organisation.
>
> **Economic:** Including, for example, wages and benefits, labour productivity, job creation, expenditures on outsourcing, expenditures on research and development, and investments in training and other forms of human capital. The economic element includes, but is not limited to, financial information.
>
> **Environmental:** Including, for example, impacts of processes, products, and services on air, water, land, biodiversity, and human health.
>
> **Social:** Including, for example, workplace health and safety, employee retention, labour rights, human rights, and wages and working conditions at outsourced operations
>
> In the June 2000 release of the *Guidelines*, these three elements are largely treated as separate reporting elements. Over time, the GRI will move towards a reporting framework that links the economic, environmental, and social elements to form a more integrated reporting structure. The "integrated indicators" in the *Guidelines* are a step in that direction.

Through this June 2000 release of the *Guidelines*[1], the GRI aims to help organisations report information:

- in a way that presents a clear picture of the human and ecological impact of business, to facilitate informed decisions about investments, purchases, and partnerships;
- in a way that provides stakeholders with reliable information that is relevant to their needs and interests and that invites further stakeholder dialogue and enquiry;
- in a way that provides a management tool to help the reporting organisation evaluate and continuously improve its performance and progress;
- in accordance with well-established, widely accepted external reporting principles, applied consistently from one reporting period to the next, to promote transparency and credibility;
- in a format that is easy to understand and that facilitates comparison with reports by other organisations;
- in a way that complements, not replaces, other reporting standards, including financial; and
- in a way that illuminates the relationship among the three linked elements of sustainability—economic (including but not limited to financial information), environmental, and social.

Throughout the *Sustainability Reporting Guidelines*, we use the term "GRI report" to refer to reports written in accordance with these *Guidelines*.

1. Throughout this document, "*Guidelines*" is used as a shortened form of "*Sustainability Reporting Guidelines*".

2 Why Is There a Need for the GRI?

Private enterprise and global markets have emerged as powerful economic forces in the 21st century. To their proponents, these forces offer unprecedented opportunities for profitable investment, market expansion, and increased wealth and job opportunities for people around the world. To their critics, such trends are eroding the ability of civil society and governments to ensure that private sector activities serve the public interest while continuing to create wealth. The danger, it is argued, is that the failure of current governance structures to keep pace with changes in the global economy will lead to accelerating problems for humanity and for the biosphere. Disagreements over these matters have intensified in the press, in the halls of government, in the business community, and in a variety of international forums. Business, government, individual citizens, and civil society all share responsibility for managing impacts on humanity and the biosphere. However, it is business impacts that thus far have attracted most attention in governance and policy debates.

Whether one is an institutional investor, an activist, a government official, or a senior executive, every party needs clear, orderly information to evaluate economic, environmental, and social performance.

Spurred by such tensions along with the rapid growth of global capital markets and information technology, parties from business, government, and civil society are searching for new approaches to better align governance with the economic and social realities of the 21st century. Business managers, investors, consumers, governments, and others are all asking versions of the same question: how do we obtain a clear picture of the human and ecological impact of business, so that we can make informed decisions about our investments, purchases, and partnerships? Achieving such clarity in measurement and reporting holds the promise of delivering value both to business—by providing a critical management tool—and to external stakeholders—by providing timely, relevant, and reliable information on the reporting organisation.

Paradoxically, this shared interest in new approaches to measuring and reporting business impacts has produced a proliferation of inconsistent reporting approaches developed by business, government, and civil society. As diverse groups seek information, business encounters escalating demands in queries that are inconsistent, giving rise to even more confusion and frustration. The GRI is an attempt to resolve this paradox.

External non-financial reporting to date has not been guided by a widely accepted, common framework of principles and practices as to what should be reported or how, when, and where. Reporting organisations have been at liberty to report what they choose about the economic, environmental, and social aspects of their performance. Moreover, national and sectoral initiatives have produced diversity in reporting practices, making comparability, relevance, and reliability difficult if not impossible to achieve.

By drawing hundreds of partners into a voluntary, multi-stakeholder, consensus-based process, the GRI seeks to reduce confusion, harmonise rules of disclosure as much as possible, and maximise the value of reporting for reporting organisations and report users alike. Whatever their affiliation, participants in the GRI share the view that performance information must be elevated to unprecedented levels of completeness, comparability, and credibility. Many who have studied the evolution of financial accounting and reporting standards over the course of the 20th century believe that the GRI will follow a similar, though accelerated, pattern in the 21st century. Whether one is an institutional investor using environmental information to assess risk, an activist trying to enter into dialogue with management, a government official choosing among possible corporate partners, or a senior executive seeking to lead an organisation to higher levels of efficiency and innovation, every party needs clear, orderly information to evaluate economic, environmental, and social performance.

This confluence of historical opportunity and shared interest has powered the rapid development of the GRI. There are, of course, many challenges ahead. Although the GRI has brought together many supporters of sustainability, the term does not yet enjoy a universally accepted meaning. The GRI recognises that the goal of reporting on the economic, environmental, and social dimensions of organisation-level activity—let alone a fully integrated sustainability assessment—is at the earliest stages of a journey that will continue for many years.

The GRI believes that the long-term objective of developing "generally accepted sustainability accounting principles" requires both a concrete product incorporating the best thinking to date and a stable process through which continuous learning can occur. The GRI will provide both by releasing steadily improving *Sustainability Reporting Guidelines* based on research and public comment on a regular cycle. In this manner, the GRI is striving to build acceptance of the *Guidelines* and to establish the credibility and trust among stakeholders and reporters that is critical to achieving its mission.

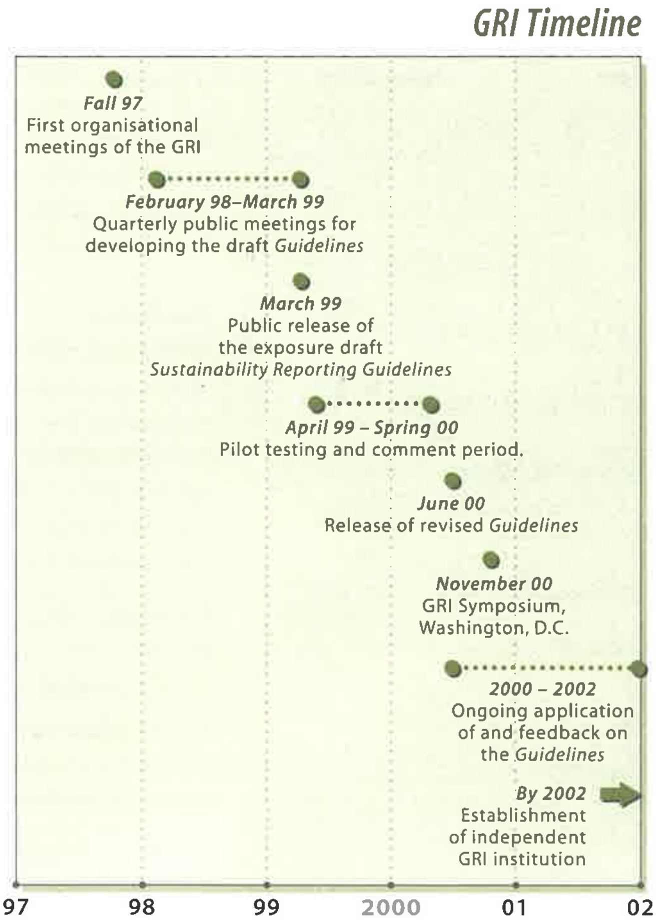
The 20th century saw worldwide progress in harmonising financial reporting. The GRI hopes the 21st century will see even more rapid progress in the development and global acceptance of sustainability reporting. These GRI *Guidelines* contribute to this goal.

3 What Is the History and Evolution of the GRI?

The Past

The GRI was originally convened by CERES (Coalition for Environmentally Responsible Economies[2]) in partnership with UNEP (United Nations Environment Programme[3]). Although much work remains to expand the range of stakeholders, the GRI has already incorporated the active participation of corporations, non-governmental organisations (NGOs), consultancies, accountancy organisations, business associations, universities, and other stakeholders from around the world. A steering committee with a membership representing a mix of stakeholders has guided the GRI thus far (see inside front cover).

The GRI's process for developing the *Guidelines* has been broad and inclusive. Meetings have been held in various parts of the world, an open and transparent structure has been maintained, all interested parties have been invited to take part in working group activities, and working documents have been posted on the Internet. In its governance procedures, the GRI has sought to balance the principles of inclusiveness and representativeness with the objectivity and rigour demanded by users of information in both developed and developing countries.



1 CERES is a non-profit, non-governmental organisation based in Boston, USA, that consists of environmental organisations, socially responsible investment professionals, institutional investors, labour and religious organisations. CERES is the author of the CERES Principles, formerly Valdez Principles, a 10-point code of conduct on environmentally responsible corporate behaviour. For more information, see www.ceres.org.

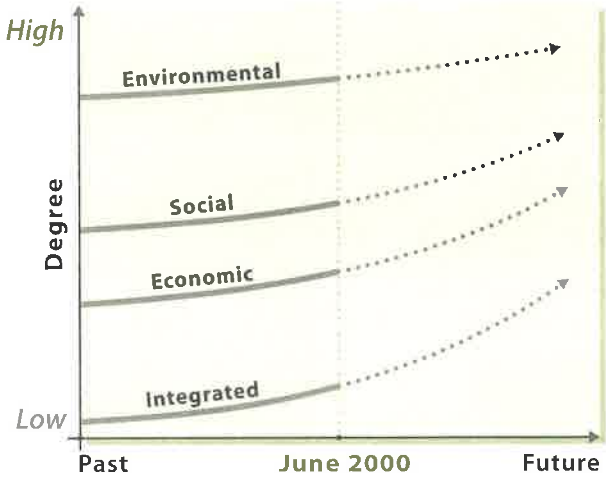
2 For more information about UNEP, see www.unep.org; for information on UNEP's Division of Technology, Industry and Economics, see www.unepie.org.

In March 1999, the GRI released the *Guidelines* as an exposure draft for public comment and testing through the spring of 2000. The test period provided an opportunity to assemble the examples and experiences used in developing this June 2000 release of the *Guidelines*. It was also essential in increasing the relevance and applicability of the *Guidelines* and in helping to build consensus among a wide range of views, countries, and cultures. See **www.globalreporting.org** for information on the pilot test process and its results.

The Present

As the GRI works towards consensus among reporters and report users on the specific indicators for reporting on economic, environmental, and social performance, it recognises that the indicators included in these *Guidelines* have not achieved equal degrees of consensus. As suggested in the illustration, the greatest degree of consensus is associated with environmental indicators. These have been subject to a robust review, assessment, and pilot-testing process. In contrast, the GRI's economic and social indicators are less developed. Those contained in the *Guidelines* originate from various sources, including a working group of NGOs and a selection of company reports.

Consensus on Indicators



In releasing the *Guidelines*, the GRI is soliciting specific feedback from reporters and report users on both the recommended and alternative economic and social indicators. This feedback process will serve to improve the quality of the indicators and increase the degree of consensus surrounding them. In addition, the *Guidelines* contain a section that asks reporters to experiment with integrated indicators that either (1) link an organisation's performance at the micro-level with economic, environmental, or social conditions (or "systems" conditions) at the macro-level, e.g., an organisation's air emissions relative to local air quality, or (2) cut across two or more dimensions—economic, environmental, or social—of an organisation's performance. Use of integrated indicators is at its earliest stage. Through a process of experimentation and feedback, the GRI will work to advance consensus on these integrated indicators.

The Future

The GRI will strive to improve the *Guidelines* over time. It will continue to broaden its base of stakeholders, to engage those interested in pursuing the GRI mission, and to advance the usefulness of the *Guidelines* to all stakeholders. It will encourage reporters and users alike to review and apply the *Guidelines* and to bring feedback and experiences to the GRI's attention. The *Guidelines* will be updated taking this feedback into account, probably in 2002. Unless otherwise indicated, the GRI will assume that all such feedback is a matter of public record.

Beginning after the release of these *Guidelines*, the GRI will periodically publish notes containing more detailed information on definitions, interpretation, and measurement of items covered in the *Guidelines*.

By 2002, the GRI will be established as a new, permanent, independent, international body, with a multi-stakeholder governance structure. Its core mission will be stewardship of the *Guidelines* through their continuous enhancement and dissemination.

Further information about the GRI can be found at the GRI website at **www.globalreporting.org**.

4 What Do the *Guidelines* Provide?

The *Guidelines* provide a framework for reporting that promotes comparability between reporting organisations while recognising the practical considerations of collecting and presenting information across diverse reporting organisations.

The *Guidelines* do not provide guidance for implementing data collection, information and reporting systems, or organisational procedures for preparing reports. Nor do they contain guidance on monitoring performance or on verification practices. These are matters left to the discretion of reporting organisations. Guidance on these topics is available through the efforts of other, related initiatives that focus on management systems, technical protocols, and on processes and procedures for indicator selection. Annex 1 references some of these initiatives.

O QUE Ñ OFERECE

SISTEMAS DE GERENCIAMENTO E PROTOCOLOS TECNICOS (V. ANEXO 1)

Finally, the *Guidelines* do not present standards for performance, although the performance of organisations publishing economic, environmental, and social reports is often evaluated by benchmarking organisations.

The *Guidelines* comprise four parts:

A) Introduction and General Guidance	Background on the need for and nature of the GRI, plus general guidance on the design and applicability of the *Guidelines*.
B) Reporting Principles and Practices	Fundamental underpinnings, concepts, and practices that promote rigour, comparability, and reliability in reporting.
C) Report Content	The framework for structuring a GRI report, specific content, and guidance for compiling the various parts of the report.
D) Annexes	Additional guidance and resources for using the *Guidelines*.

5 What Is the Value of Using the *Guidelines*?

For reporting organisations, the *Guidelines* are a tool for decision making at three levels:

- At the level of the governing body (e.g., board of directors) and for senior management, the *Guidelines* provide an internal vehicle for evaluating the consistency between the organisation's economic, environmental, and social policy and its actual performance. The increased uniformity in reporting facilitated by the *Guidelines* will help reporting organisations to compare themselves with others and to recognise improved performance.
- At the operational level, the *Guidelines* provide a logical structure for applying sustainability concepts to the organisation's operations, services and products. They also help guide the development of data and information systems for setting and tracking progress towards economic, environmental, and social goals.
- From a communications standpoint, the *Guidelines* provide a framework for effectively sharing and promoting dialogue with internal and external stakeholders regarding the organisation's accomplishments and challenges in achieving its goals.

NÍVEL ESTRATÉGICO CALIBRAR POLÍTICA E PERFORM.

NÍVEL OPERACION. MAPA DE NAVEGAÇÃO

COMUNICAÇÃO C/ PARTES INTERESSADAS

Users of GRI reports will find the *Guidelines* helpful in understanding:

- what is reported and why, including relationships between different dimensions of sustainability on one hand, and different sets of information and performance indicators on the other;
- how specific data can be used to communicate information on an organisation's performance; and
- issues related to the precision, scope, and reliability of reported information.

As more organisations choose to adopt the *Guidelines*, the opportunities for comparing performance within and across sectors and nations will strengthen stakeholders' capacity to advocate continuous progress on practices compatible with sustainability.

6 Who Should Use the *Guidelines*?

Application of the GRI **Guidelines** *is voluntary.*

General Statement of Applicability

The *Guidelines* are intended to be applicable to any size and any type of organisation (see Annex 2). This June 2000 release is developed primarily with the needs of business organisations in mind, but the *Guidelines* can be applied with some flexibility by organisations such as government agencies and non-profit organisations. The *Guidelines* are not specific to any industry or sector. Strengthening sector-specific reporting is on the GRI's future agenda.

APLICAÇÃO VOLUNTÁRIA
NO CASO DE
GUIDELINES

Application of the GRI *Guidelines* is voluntary. They also are intended to support and supplement existing initiatives and agreements, particularly those international treaties and conventions that embody universal norms and practices. Where organisations are already subject to mandatory reporting regarding information covered in the *Guidelines*, the *Guidelines* in no way aim to override or contradict such requirements. Compliance with relevant local, national, or international disclosure requirements should be noted in the relevant section of a GRI report.

Reporting by Smaller Organisations

It may be a special challenge for many smaller organisations—whether for-profit or not-for-profit, private or public—to prepare and issue full GRI reports. They may find it more practical to adopt a phased or incremental approach to implementing the *Guidelines*, as discussed in Annex 2. In the future, the GRI may consider creating an abbreviated reporting framework that addresses the special reporting needs of smaller organisations. Such a framework may, for example, focus initially upon disclosure of issues either already required by law (such as employment, workplace safety, or waste statistics) or easily available from conventional accounting systems (such as energy and transport costs, wages, earnings, and community philanthropy). Later, it may be enlarged to address more broadly the economic, environmental, and social dimensions of the small organisation. The GRI's future work in this area will be informed by experience in and feedback from applying the *Guidelines*.

** AQUI DAVID = SEGUIR ORDEM GRI

7 Using the *Guidelines* – Specific Issues

A number of specific issues may emerge in preparing a GRI report. Additional guidance and background documents can be found on the GRI website at **www.globalreporting.org**. The website will be updated as additional documents become available.

The following specific issues are addressed in this section:

- incremental application of the *Guidelines*;
- flexibility in the structure of GRI reports;
- selecting indicators through engaging stakeholders;
- frequency and medium of reporting;
- adapting the *Guidelines* to a specific organisation; and
- use of graphics.

AQUI OPERAÇÕES E NOVOS NEGÓCIOS INCORPORAÇÃO GRADUAL

Incremental Application of the Guidelines

The *Guidelines* are designed to provide information about an entire organisation. In addition to the organisation-wide GRI report, complementary facility, regional, or other disaggregated sub-reports may be appropriate for different stakeholders.

It is essential for a reporting organisation to state precisely what is included and what is excluded.

Initially, an organisation may not be in a position to report on all its operations. It may choose to move in that direction by gradually covering more of its activities (e.g., an additional business unit, facility, or region). Alternatively, an organisation reporting for the first time might start by reporting on its environmental performance, then progress to its economic and social performance before finally addressing linkages across the economic, environmental, and social dimensions of its activities in an integrated way. When an incremental approach is chosen, care should be taken to develop information in a form that is readily aggregated across sub-entities such that an organisation-wide report becomes possible in the future.

AQUI * ARGENTINA CHILE PERU

Although the GRI encourages complete GRI reports for all reporting organisations, it recognises that this will evolve gradually for many organisations. For this reason, it is essential for a reporting organisation to state precisely in the profile section of its report what is included and what is excluded and to indicate how it intends to expand coverage in the future.

* FLORA

Additional guidance on incremental application of the *Guidelines* can be found in Annex 2.

AQUI MENCIONAR ONDE ESTAMOS E ONDE AVANÇAREMOS

Flexibility in the Structure of GRI Reports

The "Report Content" outlined in Part C of these *Guidelines* is organised into major sections to form a complete and logical framework. Reporting organisations are encouraged to use the sections in the order they appear within the framework. This will help report users to track performance over time and compare organisations at a single point in time. If a reporting organisation believes that presenting specific information in a different place within this framework will better serve the report users, it may do so. However, completeness and comparability in economic, environmental, and social reporting are best served when all reporters adhere as closely as feasible to a common framework. This balance of uniformity and flexibility will enable GRI reports to achieve the overarching goals of consistency and comparability while acknowledging legitimate organisational and sectoral differences. **

AQUI É A ORGANI... DEVE UTILIZAR INDICADORES PRÓPRIOS E CONSULTAR STAKEHOLDERS

Selecting Indicators through Engaging Stakeholders

In Section 6 of "Report Content" (Part C), organisations are asked in some cases to select organisation-specific performance indicators based on what is most relevant both to the reporting organisation and its key stakeholders. Active consultation with stakeholders is an essential part of the process for selecting indicators. Annex 1 and the GRI website provide a range of resources to assist in selecting organisation-specific indicators. Annex 1 also references some of the many valuable complementary efforts with which the GRI has collaborated in developing these *Guidelines*.

INTEGRAÇÃO FINANCIAL REPORTS

Frequency and Medium of Reporting

Organisations need to decide how frequently they will prepare GRI reports and how they will distribute them. This requires considering the timing of, and possible integration with, other external reporting, such as annual financial reports and statements. Internet-based reporting offers further flexibility, capacity, and timeliness. The GRI expects that some reporting organisations will choose to publish only short-form summaries on paper, opting to place the bulk of their reports on websites. The GRI also expects that Internet-based reporting will facilitate frequent updating of some aspects of GRI reports.

The costs of preparing a GRI report will vary from organisation to organisation. For those organisations with strong information management systems in place, or those already preparing similar reports, the incremental cost may be minimal. For those new to reporting, or those without strong information systems, initial costs may be more substantial. The costs of various reporting media and frequencies (e.g., paper copy of full report, printed summaries of selected sections, electronic/Internet versions of full report with regular updates) need to be weighed against stakeholder needs and resources available. Preferences for independent verification also need to be considered when deciding frequency and medium of reporting.

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Adapting the Guidelines *to a Specific Organisation*

The information requests in the *Guidelines* apply to all reporting organisations, except where organisation-specific environmental indicators are requested (see Section 6 of "Report Content"). When the information requested is not relevant, reporting organisations are encouraged to note this in their reports, with appropriate explanation. Organisations are encouraged to go beyond the requested information as necessary to achieve a more complete and balanced picture of their operations and performance. This might include, for example, information relevant to particular sectors. It is the GRI's intention to develop, in a multi-stakeholder fashion, sector-specific guidelines to complement these core *Guidelines*.

Where detailed information is of interest to only a limited number of readers, appendices may be used. This might be the case, for example, with facility-specific information or detailed lists of individual chemical releases. Organisations that have previously published economic, environmental, and social reports may find the use of appendices helpful in adapting their existing reporting formats to the GRI *Guidelines*.

Use of Graphics

The use of graphics can enhance the quality of a GRI report. However, care needs to be taken to ensure that graphics used do not unintentionally lead readers to make incorrect interpretations of data and results. Care is needed in the selection of axes, scales, and data (including conversion of raw data to ratios and indices for graphic purposes) and the use of colour and different types of graphs and charts. Graphics should be a supplement to—not a substitute for—text and narrative disclosure of information. As a rule, raw data should accompany all graphical presentations, either alongside or in appendices.

GRÁFICOS COMPLEMENTO — E NÃO SUBSTITUTO

8 Verification of GRI Reports

The quality, usefulness, and credibility of an organisation's reporting can be enhanced in several ways. One way is through independent verification processes that provide an additional degree of assurance about the reliability and completeness of GRI reports or particular elements of them. Independent verification can also enhance the quality, usefulness, and credibility of information used within the reporting organisation and the underlying management systems and processes. Accordingly, the GRI supports in principle the independent verification of GRI reports, while recognising that organisations need time to assess their needs, readiness, and options for verification.

AUDITORIA INDEPENDENTE EXTERNA

The GRI encourages the development and use of principles and guidelines for verification practices that, over time, will strengthen verification of sustainability reporting.

Other ways to enhance the quality, usefulness, and credibility of GRI reports include:

- internal auditing of systems and procedures for measuring, recording, and reporting performance data; AUDITORIA INTERNA
- independent evaluations and commentaries by external experts regarding an organisation's economic, environmental, and social performance and/or management processes;
- a clear statement by a board of directors or chief executive officer that a report has been prepared in accordance with the GRI *Guidelines*.

AQUI = MENSAGEM DA PRESIDÊNCIA

These approaches do not replace independent verification, but the use of one or more of them in conjunction with independent verification can be especially effective in enhancing the quality, usefulness, and credibility of a GRI report. Consultation with key stakeholders in decisions regarding verification can help build trust between an organisation and its stakeholders.

The GRI recognises that verification of sustainability reports is, like sustainability reporting itself, at an early stage in its evolution. The GRI therefore encourages the development and use of principles and guidelines for verification práctices that, over time, will strengthen verification of sustainability reporting.

ESTÁGIO INICIAL EVOLUÇÃO

Annex 3 provides additional guidance on verification for the benefit of users and verifiers as well as GRI reporters.

9 Relationship of the *Guidelines* to Other Initiatives

In developing the *Guidelines*, the GRI reviewed a wide range of business, governmental, and NGO reporting initiatives, including those at the facility, sector, organisation, national, and global levels. Reference to a number of these can be found in Annex 1. This resource list will be continuously revised to assist reporters and users of GRI reports. In developing the *Guidelines*, the GRI has attempted to accommodate complementary initiatives while remaining faithful to its overarching mission and reporting principles. The GRI process seeks in due course to accommodate and incorporate portions of such initiatives into a single, generally accepted sustainability reporting framework. At the same time, the GRI has no intention of displacing or modifying existing financial reporting standards and practices. Complementary initiatives will continue to benefit GRI reporters and report users.

The GRI is aware of the potential for linkages to existing national, international, and global standards, including those for environmental management systems (EMS), and has developed the *Guidelines* with this in mind. The GRI *Guidelines* may serve as a valuable framework for those developing external reporting components within such EMSs. The GRI will monitor developments across the full spectrum of external reporting activity worldwide in order to position the GRI *Guidelines* as effectively and efficiently as possible.

Part B:
Reporting Principles And Practices

This section of the *Sustainability Reporting Guidelines* identifies reporting principles and practices essential to producing GRI reports that are easy to use, compare, and verify. The GRI believes that reports based on these principles and practices will be more credible and transparent than those that are not.

USAR
COMPARAR
VERIFICAR

Over many decades, financial reporting has adopted a set of underlying principles and assumptions. These, with necessary modifications, have been adapted from work by the Environmental Task Force of the European Federation of Accountants (FEE) for use by the GRI as underlying principles for GRI reporting. Financial reporting has also identified a number of qualities that make reported financial data more useful and credible. The GRI *Guidelines* incorporate these qualities, again appropriately modified for GRI reporting purposes.

The GRI's reporting principles and practices are presented in five parts:

- underlying principles;
- qualitative characteristics;
- classification of performance-reporting elements;
- absolute figures and ratios/relative indicators; and
- disclosure of reporting policies.

Reports based on these principles and practices will be more credible and transparent than those that are not.

1 Underlying Principles of GRI Reporting

Organisations preparing GRI reports are asked to adopt the underlying principles of reporting set forth below. Although GRI reports do not need to contain a detailed checklist showing that these principles have been adopted, reporters are asked to indicate when they have chosen not to apply all or any principles.

The reporting entity principle: The report will clearly define the boundary of the organisation adopted for the report (e.g., equity share, management control, site, company, group). As a result, the reporting consequences of strategic business decisions, such as subcontracting or joint venture arrangements, will be transparent.

The GRI asks that reporters clearly and explicitly define the boundary conditions used in the report for the reporting organisation. Financial accounting and reporting standards currently exist to define boundaries for different forms of corporate control (joint ventures, associates, subsidiaries, etc.). Such standards do not yet exist to define boundaries for GRI reports. Until such standards are developed, GRI reporters may choose to use the traditional financial accounting and reporting boundary definitions as a starting point. However, it is important for a GRI reporter to define the organisation's boundaries in a way that assures readers that the originator of, or contributor to, the material impacts of its activities is included within those boundaries. To do otherwise would open the reporting organisation to accusations of misleading reporting. Of course, a reporting organisation may wish to expand its boundaries in subsequent GRI reports to capture upstream and downstream effects of its products or services.

Organisations that form part of a supply chain face an important challenge with GRI reporting. In some cases, comprehensive reporting may require addressing in some way the total life-cycle impact of the product or service from resource extraction to end of life. At a minimum, every GRI reporter is asked to include reference to the more significant supply chain issues. Reporters are also encouraged to provide more detailed supply chain information where feasible.

The reporting scope principle: The report will make clear the scope of activities reported (e.g., economic, environmental, and social issues or environmental issues only) and provide explanations for any restriction in reporting scope.

The GRI *Guidelines* address each of the individual elements of a full GRI report. The *Guidelines* also encourage reporters to work towards an integration of the economic, environmental, and social elements. The GRI recognises, however, that some organisations may wish to progress incrementally towards a complete GRI report, using some of the individual elements of the *Guidelines* (e.g., the environmental elements) rather than the whole package. The GRI allows incremental adoption of the *Guidelines* provided there is full disclosure of such incremental adoption. Annex 2 provides additional information on incremental adoption.

Some organisations may wish to progress incrementally towards a complete GRI report, using some of the individual elements of the Guidelines *rather than the whole package.*

Organisations choosing incremental adoption are asked to disclose the following items:

- the fact that, and the extent to which, they have used the GRI *Guidelines* as the basis for their reporting;
- the reasons for incremental adoption (e.g., expense, availability of information, stakeholder needs); and
- their intentions regarding the future production of a complete GRI report.

The reporting period principle: As far as possible, reportable impacts, events and activities will be presented in the reporting period in which they occur.

The GRI asks that impacts, events and activities be reported in the reporting cycle in which they occur or are identified. Although a single reporting cycle is too short to capture many important economic, environmental, and social impacts (such as changes in employee social conditions or environmental contamination), many economic, environmental, and social indicators are likely to flow from management information systems that operate on a regular cycle.

Further, as management's concern to integrate economic, environmental, and social issues into overall corporate strategy increases, the more likely it is that economic, environmental, and social management systems will become aligned with conventional systems of financial management and control.

The going concern principle: The published data will reflect the assumption that the reporting organisation is expected to continue operations into the foreseeable future.

An organisation categorised as a "going concern" for financial reporting purposes is generally expected to be financially viable and to be able to continue operations for the foreseeable future (note that the "foreseeable future" in financial reporting terms is rarely longer than 18 months after the balance sheet date).

The GRI asks that reporting organisations pay close attention to the broader implications of the "going concern" concept. Thus, for example, organisations should consider reporting the following items in the appropriate section of their reports:

- any "going concern" qualifications contained in the financial audit report;
- any qualifications regarding the organisation's ability to fund necessary remediation activities;

- the extent to which significant internal and external operational, financial, compliance, and other risks are identified and assessed on an ongoing basis. Significant risks may, for example, include those related to market, credit, liquidity, technological, legal, health, safety, environmental, and reputation issues;
- the likely impact of prospective legislation, for example, product, environmental, fiscal, or employee-related;
- management's assessment of the consequences (including the economic and social consequences) of moving towards modes of production and/or service delivery compatible with sustainability.

The conservatism principle: GRI reports will claim credit for only those achievements that can be directly attributed to the reporting organisation. They will also be cautious in reporting expected future outcomes of current programs.

The GRI encourages reporting organisations to adopt a life-cycle approach and to report comprehensively on both the upstream and downstream (indirect) effects of operations and activities. At the same time, the GRI asks reporting organisations to be cautious when reporting on effects that occur once the product or service has been delivered (i.e., effects "outside the factory gates"). Reporters are asked to present a balanced picture, containing both positive and negative effects of their activities.

Reporters are asked to present a balanced picture.

The materiality principle: Materiality in economic, environmental, and social reporting is dependent on what is relevant either to reporting organisations or to their external stakeholders.

The GRI intends all items in "Report Content" (Part C) to apply to all reporters, except for the organisation-specific environmental performance indicators contained in Section 6. Reporters that believe a particular "generally applicable" item is not applicable are asked to explain their reasoning. In Section 6, the reporting organisation is asked to determine what to report on the basis of both applicable laws and the process of stakeholder dialogue and engagement.

As discussed in Section 6, the economic, social, and integrated indicators are presented for testing and experimentation by all reporting organisations. At this time, they are less developed than the environmental indicators.

The application of the materiality concept to economic, environmental, and social reporting is more complex than in financial reporting. In contrast to financial reporting, percentage-based or other precise quantitative materiality yardsticks will seldom be appropriate for determining materiality for GRI reporting purposes. Instead, materiality is heavily dependent on the nature and circumstances of an item or event, as well as its scale or magnitude. For example, in environmental terms, the carrying capacity of the receiving environment (such as a watershed or airshed) will be just one among several factors in the materiality of the release of one tonne or one kilogram of waste, air emissions, or effluent. Similarly, health and safety information is likely to be of considerable interest to GRI report users despite its typical insignificance in traditional financial accounting terms.

Different stakeholders may not agree on what is material. For the reporting organisation, the results of research into user needs, as well as continuing interaction with stakeholders, is necessary for determining materiality.

The GRI recognises that an organisation's decisions about the materiality of specific aspects of performance might affect the form of the report itself. For example, an organisation that decides to report on conditions at individual operating sites may wish to support its primary GRI report with separate detailed material, perhaps via the reporter's website.

2 Qualitative Characteristics for GRI Reporting

The qualitative characteristics (or criteria) discussed below are intended to make information published in GRI reports as useful and as relevant as possible for stakeholders, including report preparers.

These characteristics serve to enhance the credibility of reported data. In some cases, the use of the characteristics may help to determine materiality. The GRI considers the main qualitative characteristics for reporting organisations to be:

To be useful, information must be relevant to the decision-making needs of user groups.

- relevance;
- reliability;
- clarity;
- comparability;
- timeliness; and
- verifiability.

Each of these qualitative characteristics is discussed in more detail below.

Relevance: To be useful, information must be relevant to the decision-making needs of user groups, recognising their diverse expectations and needs.

The most relevant information in GRI reports is likely to be useful for directing attention, building knowledge, and forming opinion, as well as for making decisions. In economic, environmental, and social reporting, the issue of what is or is not relevant may best be gauged through various forms of stakeholder engagement conducted by reporting organisations or by external parties.

Reliability: Information is reliable when it is free from bias and material error. The reliability characteristic is supported by a number of other characteristics such as valid description, substance, neutrality, completeness, and prudence.

Valid description: The way in which the various aspects are described is important for the users' understanding. Descriptions of activities, events, and issues are valid when they are presented in a factual and logical manner.

Substance: Presenting information in accordance with its economic, environmental, or social substance and reality rather than in a strict legal form is important. In GRI reports, accurate data without context or benchmarks may not be useful. For example, a furniture manufacturer that produces hardwood furniture may accurately present the quantity of wood procured. However, from the standpoint of report users, the source of the timber needs to be reported in order to achieve reliability.

Neutrality (freedom from bias): GRI reports are not neutral if the manner in which information is selected, omitted, or presented—rather than the nature of the information itself—is intended to influence a decision or judgement. Inappropriately constructed graphs or the omission of controversial issues, for example, may bias the judgements and opinions of stakeholders.

Completeness: The more completely a GRI report covers material economic, environmental, and social issues, the greater will be both its relevance and its ability to avoid charges of partiality or selectivity in reporting. Complete reports will include both favourable and adverse outcomes, impacts, trends, and audit findings. Reporters are asked to consider reporting on indirect, as well as direct, effects, especially if such indirect effects are particularly significant in presenting a complete and balanced picture.

Prudence: Uncertainty is a major factor in all forms of public disclosure. The exercise of a proper degree of prudence in GRI reports ensures that:

- uncertain economic, social, or environmental outcomes are not reported prematurely (although discussion is encouraged); and
- positive progress on economic, social, or environmental issues is not misreported—for example, by prematurely claiming that the entity is "sustainable" in some way or other.

The audience for GRI reports is wide and diverse.

Clarity: The audience for GRI reports is wide and diverse. Reporting organisations are asked to ensure that their reports are understandable to a wide range of stakeholders. Stakeholder engagement and feedback may be used to test clarity.

Clarity is an essential quality of any form of reporting. Financial reporting starts from the premise that the user possesses a reasonable knowledge of business activities and accounting. In GRI reporting, such knowledge may not be sufficient to enable the user to readily understand the information being presented, although an understanding of at least some of the economic, environmental, and social issues faced by the reporting organisation is a reasonable assumption.

In financial reporting, there is an unspoken assumption concerning the general level of education and experience of the assumed "primary" user group, namely, investors. At this stage in GRI reporting, it is premature to identify any single group as the "primary" user group, since potential report users are many and diverse. Also, it is difficult to make general assumptions about the level of education and experience of user groups or their fluency in the language of the report. Consequently, technical and scientific terms should be used carefully and explained within the report, and simple words and clear, suitable graphics should be used where appropriate. A glossary may be helpful as well.

Comparability: Many users of GRI reports will wish to compare reported data against prior years and against other organisations within the same sector. Consistency in the recognition, measurement, and presentation of information is therefore essential.

Initially, consistency should be established internally, determined by the information needs of the organisation's stakeholders. It is important that corresponding information be reported for preceding periods on a comparable and consistent basis.

To enable monitoring and benchmarking, organisations are asked to aim for consistency in both the form and content of reporting over time. In addition, organisations are asked to accelerate the process of comparability by adopting (as far as possible) and participating in the development of industry norms for economic, environmental, and social performance indicators. The GRI recognises, however, that caution is needed when comparing organisations that seem similar. Even apparently minor differences in process, product, or location may make a significant difference in the reported information.

Timeliness: To give stakeholders prompt notice of outcomes and trends, reporters are asked to report on a regular cycle. An annual reporting cycle is currently the norm, but the advent of continuous Internet reporting allows relevant information to be updated more frequently. Whatever approach is selected, reliable comparative data should be provided to enable informed comparison over time.

At this time, the GRI does not prescribe when GRI reports should be published. It is recommended, however, that GRI reports clearly indicate the reporting period used and provide reasons for the choice of a reporting period that is less frequent than annual.

Verifiability: External verification of GRI reports is addressed briefly in Section 8 of "Introduction and General Guidance" (Part A), in more detail in Annex 3, and in greater detail still in support documents on the GRI website (**www.globalreporting.org**). Where feasible, reported data and information should be independently verifiable.

GRI reports may contain some data, statements, or assertions of fact that are neither objectively determined nor physically quantified, and which cannot be verified with a high level of assurance. Unverifiable statements that are significant to the broad messages contained in a GRI report may reduce the credibility of that report.

3 Classification of Performance-Reporting Elements

The following hierarchy informed the development of performance information elements in "Report Content" (Part C):[4]

Categories: The broad areas, or groupings, of economic, environmental, or social issues of concern to stakeholders (e.g., air, energy, labour practices, local economic impacts).

Aspects: The general types of information that are related to a specific category (e.g., greenhouse gas emissions, energy consumed by source, child labour practices, donations to host communities). A given category may have several aspects.

Indicators: The specific measurements of an individual aspect that can be used to track and demonstrate performance. These are usually, but not always, quantitative. A given aspect may have several indicators (e.g., tonnes of emissions, water consumption per unit of product, adherence to a specific international standard on child labour, net joules of energy used during the lifespan of a product, monetary contributions per year to host communities).

Reporters that choose to go beyond GRI information elements and provide supplementary information may benefit from applying this structure to such additional information.

Section 6 of "Report Content" contains four subsections dealing with performance information. These are environmental, economic, social, and integrated.

4 This approach is compatible with that used in ISO 14000 and by the World Business Council for Sustainable Development (WBCSD).

Within the environmental subsection, the *Guidelines* present two types of indicator: generally applicable and organisation-specific. This distinction is described in that subsection. The economic, social, and integrated indicators identified in the other subsections are less developed than the environmental indicators and are presented for testing and experimentation by all organisations. The experience gained by reporters applying the *Guidelines* will inform the development of economic, social, and integrated indicators in future releases of the *Guidelines*.

Integrated indicators are of two types:

- Systemic indicators, which link performance at the micro-level (e.g., organisational level) with economic, environmental, or social conditions at the macro-level (e.g., regional, national, or global level).
- Cross-cutting indicators, which bridge information across two or more of the three elements of sustainability—economic, environmental, or social—of an organisation's performance.

These are discussed in more detail in the Performance Section of "Report Content" (Part C).

***The experience gained by reporters will inform the development of indicators in future releases of the* Guidelines.**

4 Ratio Indicators

Reporters are encouraged to express information as ratios (as well as to provide absolute values) where such ratios will make the information easier to interpret and understand. Where appropriate, ratio indicators should use factors from Section 2 of "Report Content".

For example, in order to illuminate the relationship between financial performance and environmental performance, an organisation may wish to use eco-efficiency indicators. One way to express eco-efficiency is as the ratio of unit of product or service value per unit of environmental influence. Unit of value can be expressed by monetary indicators such as net sales or value added, by unit of activity level such as mass or number of products sold, or by the functional value a product finally delivers to its user such as personal mobility, hygiene, or security. Unit of environmental influence, such as energy use, material consumption, or air or water pollution, may be derived from information reported in the performance section of a GRI report (see Section 6 of "Report Content").

Ratio indicators are discussed in more detail in Annex 4.

5 Disclosure of Reporting Policies

The GRI asks that GRI reports include formal disclosure of all significant reporting and measurement policies. Reports should disclose, for example:

- that they have been prepared and presented in accordance with the GRI *Guidelines* (except as otherwise indicated);
- reasons for any significant differences between the performance indicators selected for use in the report and those customary for the organisation's industry sector;
- the scope of the report (e.g., economic, environmental, and social; social only; environmental only);

- specific limitations on the scope of the report (e.g., targets, management systems, collection of data, collation of data);
- policies for handling mergers (including subsidiaries, associates, joint ventures, outsourcing, and other structural issues affecting the entity principle);
- significant changes in the composition of the reporting organisation since the previous report;
- significant changes from previous years in the measurement methods applied to key economic, environmental, and social information;
- the extent to which the reporting entity intends to (or has succeeded in) standardise(ing) its corporate policies across its global operations;
- the criteria/definitions used in any accounting for economic, environmental, and social costs and benefits;
- the nature and effect of any re-statements of information reported previously and the reason for such re-statement (e.g., significant changes in the composition of the organisation, change of base years/periods, change in nature of business, improved or modified measurement methods);
- the basis for any conversions of, for example, mass, volume, energy, or currencies;
- approaches used to compile data, including approaches to direct and indirect effects; and
- how the materiality or significance principle has been applied in deciding what to report or to omit.

The GRI will continuously review the applicability and clarity of all reporting principles to ensure they are relevant to and understood by reporting organisations and report users. Experience with these *Guidelines*, and associated feedback, will form the basis for this review process.

The GRI will continuously review the applicability and clarity of all reporting principles to ensure they are relevant to and understood by reporting organisations and report users.

Part C:
Report Content

General Notes

1. Unless otherwise specified, all information throughout the report pertains to the "reporting organisation" defined in items 2.1 and 2.10.

2. Throughout this section, the phrase "products and services" should be interpreted to include non-physical products/services such as loans, investments, and other financial instruments.

3. Organisations are asked to report values for the current reporting period (e.g., year) and at least two previous periods, as well as values for a specified target period.

4. Organisations are asked to report absolute data. Organisations are also asked to report ratios, whenever these assist communication. When ratios are used, organisations are asked to make use of normalising factor(s) from item 2.7, where appropriate. See Section 4 of "Reporting Principles and Practices" (Part B) and Annex 4 for a discussion of ratios.

5. Organisations are asked to report the nature and effect of any re-statements of information reported in earlier reports, and the reason for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).

6. Organisations are asked to report the basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations, and other situations that can significantly affect comparability from period to period and/or between reporting entities.

7. Organisations are asked to report whether and how indirect impacts are measured (e.g., emissions from sources that provide electrical energy).

8. Organisations are asked to use generally accepted international metrics (e.g., kilograms, [metric] tonnes, litres).

9. Organisations are asked to report the basis for any conversions of metrics (e.g., mass, volume, energy, currencies).

10. Organisations are asked to report measurement rules and methodologies for data compilation, where these are not obvious.

A Note on Report Content

All items in "Report Content" are intended to be applicable to all reporters, except for the organisation-specific indicators identified in Section 6 below. Reporting organisations that believe a particular item is not relevant are asked to explain their reasoning. As discussed in detail in Section 6, the economic, social, and integrated indicators are presented for testing and experimentation by all reporting organisations.

The GRI believes that a report that follows the order presented below will be logical and complete, and will facilitate comparability and benchmarking. Thus, the GRI strongly recommends that reporters follow this order. Nevertheless, an organisation may choose to present certain information in a different order if it believes that is necessary to best address the needs of report users. However, to facilitate comparability and benchmarking GRI asks all reporters to follow the guidance provided on the Executive Summary of their report (Section 3 below). In addition, GRI strongly recommends reporters include an index to their reports.

The GRI recognises organisations are at widely different stages in reporting. Thus, incremental adoption on an interim and transitional basis is encouraged to reflect such differences. See Section 7 of "Introduction and General Guidance" (Part A) as well as Annex 2 for more information on incremental adoption.

1 CEO Statement

Statement of the CEO, or equivalent senior management person, describing key elements of the report.

A statement from the reporting organisation's CEO, or equivalent senior management person, sets the tone of the report and establishes credibility with internal and external users.

While the GRI does not specify the content of the CEO statement, it believes such statements are most valuable when they explicitly refer to the key elements of the report, particularly to the mission and vision sections, and to the organisation's recent and future challenges in relation to sustainability.

Recommended elements include the following:

- highlights of report content and commitment to targets;
- declaration of commitment to economic, environmental, and social goals by the organisation's leadership;
- acknowledgement of successes and failures;
- performance against benchmarks, previous years' performance, targets, and industry sector norms; and
- major challenges for the organisation and its business sector in integrating responsibilities for financial performance with those for economic, environmental, and social performance, along with the implications of this on future business strategy.

2 Profile of Reporting Organisation

An overview of the reporting organisation and scope of the report to provide a context for understanding and evaluating information in subsequent sections.

In this section, the reporter provides an overview of the reporting organisation and scope of the report. This overview provides readers with a context for understanding and evaluating information in the rest of the report and includes organisational contacts.

The elements needed for a complete profile include those listed below. Reporters are encouraged to include additional information necessary for a full picture of the organisation's operations, products, and services.

Please refer to the general notes at the start of "Report Content" for guidance on reporting information.

2.1 Name of reporting organisation.

2.2 Major products and/or services, including brands if appropriate.

2.3 Countries in which the organisation's operations are located.

2.4 Nature of ownership; legal form; stock exchange listings.

2.5 Nature of markets or customers served (e.g., retail, wholesale, governments).

2.6 Contact person(s) for the report, including e-mail and web addresses.

2.7 Relevant information on the scale of activity of the reporting organisation, including measures that may be or are used as normalising factors for creating ratios from absolute values provided in the report. Examples of potential relevant measures include:
- Number of employees
- Net sales
- Product produced (mass/amount/quantity)
- Value added
- Total assets
- Other relevant measures indicating activity level (e.g., gross margin, net profit)

2.8 Breakdown of sales/revenues by country/region for those countries/regions that make up five percent or more of total revenues, as well as by major products and/or services identified in item 2.2.

2.9 Breakdown of costs by country/region.

2.10 Coverage of report (countries/regions, products/services, divisions/facilities/joint ventures/subsidiaries). If coverage is not complete, projected timeline for complete coverage.

2.11 Information on scale (item 2.7), sales/revenues (item 2.8), and costs (item 2.9) for that portion of the organisation covered in the report (as specified in item 2.10).

2.12 Reporting period (e.g., fiscal/calendar year) for information provided (unless otherwise noted).

2.13 Date of most recent previous report, if any.

2.14 Significant changes in size, structure, ownership, or products/services that have occurred in the reporting period.

2.15 Public accessibility of information or reports about economic, environmental, and social aspects of organisational activities, including facility-specific information. How to obtain such information and reports.

3 Executive Summary and Key Indicators

An executive summary is a succinct overview of the GRI report. Two principles guide the content specified below: (1) the need for a reporter to communicate most effectively with its stakeholders and (2) the need for users of reports to assess the performance of an organisation both over time and in comparison with other organisations.

The executive summary is a key component of a GRI report. An effective executive summary provides the user with a balanced overview of the report's contents.

Because each report differs in what is important to the users, the GRI does not specify detailed contents for the executive summary. However, a credible executive summary provides, at a minimum, a summary of key information, presented in an easily accessible format (e.g., graphically or in a table). Such information derives directly from the remainder of the report and includes, at a minimum:

- the specified generally applicable environmental performance indicators;
- selected organisation-specific environmental performance indicators;
- selected economic performance indicators;
- selected social performance indicators; and
- selected integrated performance indicators.

Where applicable, this summary information should include information for the current reporting period, historical trends for at least the previous two reporting periods, and a target period.

A credible executive summary provides key information, presented in an easily accessible format.

4 Vision and Strategy

The reporting organisation is asked to set out its vision and discuss how that vision integrates economic, environmental, and social performance.

The reporting organisation is asked to present its vision for the future, particularly with regard to managing the challenges associated with economic (including, but not limited to, financial), environmental, and social performance. This may involve a discussion of how economic, environmental, and social goals and values intersect and are balanced in the organisation, and how such linkages and balancing shape the organisation's decision-making processes.

Reporters should use maximum flexibility and creativity in preparing this section, although it is suggested that any discussion be informed by a consideration of the reporting organisation's key direct and indirect economic, environmental, and social issues and impacts. Reporters are encouraged to draw directly from economic, environmental, and social information, as well as any integrated indicators, presented elsewhere in the report.

An organisation may also choose to use this section to articulate its long-term vision of sustainability and to discuss any challenges or obstacles it might face as it moves in this direction. See **www.globalreporting.org** for supporting documents on this section.

5 Policies, Organisation, and Management Systems

In this section, the organisation is asked to provide an overview of its governance structure and the management systems that are in place to implement its vision. Central to this section is a discussion of stakeholder engagement.

Policies and Organisation

5.1 Publicly available mission and values statement(s), codes of conduct, statements of economic, environmental, and social policy, and other policies with economic, environmental, or social provisions (e.g., procurement policy). Include date of adoption and areas of applicability (e.g., countries, business units).

5.2 Explanation of whether and how the precautionary principle is addressed by the organisation's policies.

5.3 Economic, environmental, and social, or similar, charters, codes, or voluntary initiatives (e.g., regarding labour issues, human rights, discrimination, security) to which the organisation subscribes or which it endorses, including date of adoption and countries of applicability.

5.4 Organisational structure and responsibilities (e.g., board of directors, senior management, special staff, operating staff, committees, and councils) for oversight and implementation of economic, environmental, social, and related policies. Key individuals responsible for such policies.

5.5 Status and date, by country, of economic, environmental, and social, or similar standards, including those that require external certification (see Annex 1 for examples).

5.6 Principal industry and business association memberships, including those which advocate public policy positions.

Management Systems

5.7 Programmes and procedures pertaining to economic, environmental, and social performance (such as those aimed at employee orientation and awareness, social auditing and reporting, environmental risk assessment, environmental accounting and auditing, performance evaluation, internal communications, linkages between management compensation and economic, environmental, and social performance), with areas of applicability (e.g., countries, business units).

5.8 Approaches to measuring and improving management quality, including development and execution of strategy, product/service innovation, and alliance building and retention. Status of certification pertaining to economic, environmental, and social management systems.

5.9 Programmes and procedures for supply chain/outsourcing, including supplier selection criteria, assessment, training, monitoring, and areas of applicability (e.g., countries, business units).

5.10 Programmes and procedures for decisions regarding the location of operations, including facility or plant openings, closings, expansions, and contractions.

Stakeholder Relationships

5.11 Basis for definition and selection of major stakeholders (e.g., employees, investors, suppliers, managers, customers, local authorities, public interest groups, non-governmental organisations).

5.12 Approaches to stakeholder consultation (e.g., surveys, focus groups, community panels, corporate advisory panels, written communications). Frequency of such consultations by type.

5.13 Type of information generated by such consultations.

5.14 Use of such information (e.g., performance benchmarks and indicators), including use for selecting organisation-specific performance indicators in Section 6.

6 Performance

This section covers the reporting organisation's economic, environmental, and social performance. It does so through the use of quantitative and qualitative indicators as well as supplementary information. To aid interpretation, reporters are asked to report relevant objectives and programme information along with raw data. They are also asked to provide context, management explanations, and commentary on trends and unusual events.

Note that in this release of the *Guidelines*, the environmental performance indicators appear first because of their more advanced development and readiness for the indicator framework described below. They have also been subject to a robust review, assessment, and pilot-testing. In contrast, the economic, social, and integrated indicators are less advanced in terms of experience and consensus.

Organisations are asked to report information for the current reporting period, at least two previous periods, and a target period. Information should be provided in absolute terms, as well as in ratio/normalised form whenever this assists communication.

Overview

This section has four subsections: environmental, economic, social, and integrated.

Within the environmental subsection, the GRI presents two types of indicator: generally applicable and organisation-specific. This distinction is described below.

Economic, social, and integrated indicators are presented for testing and experimentation by all reporting organisations. The experience gained by reporters applying the *Guidelines* will inform the development of economic, social, and integrated indicators in future releases of the *Guidelines*. The GRI welcomes input from reporters and report users on such indicators.

TESTE

Integrated indicators are of two types:

- Systemic indicators link performance at the micro-level (e.g., organisational level) with economic, environmental, or social conditions at the macro-level (e.g., regional, national, or global level).
- Cross-cutting indicators bridge information across two or more of the three elements of sustainability—economic, environmental, or social—of an organisation's performance.

INDICADORES SISTEM (MACRO X MICRO)

The GRI solicits feedback from reporters and report users on all performance indicators to provide the basis for enhancing updated releases of the *Guidelines*.

Environmental Performance

Organisations create environmental impacts at various scales, including local, national, regional, and international. These occur in relation to air, water, land, and biodiversity resources. Some are well understood, while others present substantial measurement challenges owing to their complexity, uncertainty, and synergies.

Environmental reporting has evolved over the last 20 years and has reached a level of emerging common practices based on a shared understanding of environmental processes. At this time, the repeated appearance of certain environmental categories, aspects and indicators provides a foundation for a common information base. Nonetheless, organisational differences remain and are reflected in the variety of indicators used by reporting organisations.

Thus, in this section of the *Guidelines*, the GRI distinguishes between two types of performance indicators: generally applicable and organisation-specific.

Organisation-specific indicators emerge from consultation with internal and external stakeholders.

Generally Applicable Indicators

The indicators noted as generally applicable are relevant to all organisations. In the interest of comparability, GRI asks all reporters to provide this information, regardless of sector, location, or other attributes of the organisation.

Organisation-Specific Indicators

Organisation-specific indicators are those that, while critical to an understanding of the performance of the organisations to which they apply, may not be relevant to all organisations. These indicators derive from attributes such as the organisation's industry sector and geographic location, and from the concerns of stakeholders.

Some organisation-specific indicators (such as fuel consumption by fleet vehicles) are applicable to many organisations but may be of key relevance to only a few organisations (e.g., package delivery and logistics companies). Other organisation-specific indicators are of key relevance for a particular organisation but are not widely applicable. Examples of such indicators include forest stewardship (for a forest products company), animal testing (for a cosmetics company), or noise (for an airline or airport operator).

Organisation-specific indicators emerge from consultation with internal and external stakeholders and should reflect the organisation's key economic, environmental, and social issues. These, in turn, are associated with operations, products and/or services, and include indirect and supply/service chain impacts.

A number of organisation-specific environmental indicators are listed below. These examples have been selected by the GRI based on (1) their wide, though not universal, applicability to different types of organisations and (2) strong concerns identified by GRI stakeholders. Because of this, the GRI asks reporters to give each one of these indicators serious consideration before determining its relevance.

Reporters are not expected to restrict themselves to the examples provided. Further organisation-specific indicators should be selected based on the needs of the reporter and its stakeholders (including indicators derived from stakeholder consultations discussed in Section 5).

Energy (joules)

Generally Applicable

6.1 Total energy use.

6.2 Amount of electricity purchased, by primary fuel source, where known. Amount self-generated if applicable (describe source).

Organisation-Specific

6.3 Initiatives to move towards renewable energy sources and energy efficiency.

6.4 Total fuel use. Vehicle and non-vehicle fuel, by type.

6.5 Other energy use (e.g., district heat).

Materials (tonnes or kilograms)

Generally Applicable

6.6 Total materials use (other than fuel and water).

Organisation-Specific

6.7 Use of recycled materials (with pre- versus post-consumer use distinctions).

6.8 Use of packaging materials.

6.9 Use of hazardous chemicals/materials (define basis for identification).

6.10 Objectives, programmes, and targets for materials replacement (e.g., substituting hazardous chemicals with less hazardous alternatives).

6.11 Naturally occurring (wild) animal and plant species used in production processes. Harvesting practices for these species.

Water (litres or cubic metres)

Generally Applicable

6.12 Total water use.

Organisation-Specific

6.13 Water sources significantly affected by the organisation's use of water. (Note: Discharges to water sources are dealt with in "Emissions, Effluents, and Waste" below.)

Emissions, Effluents, and Waste (tonnes or kilograms)

Generally Applicable

6.14 Greenhouse gas emissions (per Kyoto protocol definition) in tonnes of CO_2 equivalent (global warming potential).

6.15 Ozone-depleting substance emissions (per Montreal protocol definition) in tonnes of CFC-11 equivalent (ozone depleting potential).

6.16 Total waste (for disposal). Provide definition, destination, and estimation method.

Organisation-Specific

Waste Returned to Process or Market

6.17 Quantity of waste returned to process or market (e.g., through recycling, reuse, or remanufacture) by type as defined by applicable national, sub-national, or local laws or regulations.

6.18 On- and off-site management type (e.g., recycling, reuse, remanufacturing).

Waste to Land

6.19 Quantity of waste to land by material type as defined by applicable national, sub-national, or local laws or regulations.

6.20 On- and off-site management type (e.g., incineration, landfilling).

Emissions to Air

6.21 Emissions to air, by type (e.g., NH_3, HCl, HF, NO_2, SO_2 and sulphuric acid mists, VOCs, and NOx, metals, and persistent organic chemicals) and nature (point or non-point).

Effluents to Water

6.22 Discharges to water, by type (e.g., oils/greases, TSS, COD, BOD, metals and persistent organic chemicals) and nature (point or non-point).

6.23 Profile of water bodies into which discharges flow (e.g., ground water, river, lake, wetland, ocean).

Transport

Organisation-Specific

6.24 Objectives, programmes, and targets for organisation-related transport (e.g., business travel, staff commutes, product distribution, fleet operation). Include quantitative estimates of kilometres travelled, by transport type (e.g., air, train, automobile) where possible.

Suppliers

Generally Applicable

6.25 Performance of suppliers relative to environmental components of programmes and procedures described in item 5.9 above.

Organisation-Specific

6.26 Number and type of incidences of non-compliance with prevailing national or international standards.

6.27 Supplier issues identified through stakeholder consultation (e.g., forest stewardship, genetically modified organisms, petroleum sourced in disputed areas). Programmes and initiatives to address these issues.

Products and Services

Generally Applicable

6.28 Major environmental issues and impacts associated with the use of principal products and services, including disposal, where applicable. Include qualitative and quantitative estimates of such impacts, where applicable.

Organisation-Specific

6.29 Programmes or procedures to prevent or minimise the potentially adverse impacts of products and services, including product stewardship, take back, and life-cycle management.

6.30 Advertising and labelling practices in relation to economic, environmental, and social aspects of organisational operations.

6.31 Percentage of product weight/volume reclaimed after use.

Land-Use/Biodiversity

Organisation-Specific

6.32 Amount of land owned, leased, managed, or otherwise affected by the organisation. Type of ecosystem habitat affected and its status (e.g., degraded, pristine). Amount of impermeable surface as a percentage of land owned.

6.33 Habitat changes due to operations. Amount of habitat protected or restored.

6.34 Objectives, programmes, and targets for protecting and restoring native ecosystems and species.

6.35 Impacts on protected areas (e.g., national parks, biological reserves, world heritage sites).

Compliance

Organisation-Specific

6.36 Magnitude and nature of penalties for non-compliance with all applicable international declarations, conventions, and treaties, and national, sub-national, regional, and local regulations associated with environmental issues (e.g., air quality, water quality). Explain based on countries of operation.

Guidance on the Reporting of Social and Economic Performance

A GRI report should include reporting on the categories and aspects listed below under "Economic Performance" and "Social Performance". In contrast to the GRI environmental indicators that have been subject to a substantial review, assessment, and pilot-testing process, the GRI social and economic indicators are less developed. They originate from various sources, including a working group of non-governmental organisations and a selection of company reports.

Reporters are encouraged to use the indicators presented below, as well as other social and economic indicators where such alternatives more accurately convey performance. During 2000–2002, the GRI will solicit specific feedback from reporters and report users relative to both the recommended and alternative social and economic indicators, in order to enhance these indicators over time.

Reporters are encouraged to provide context (e.g., comparisons with peers, industrial/regional/sectoral averages) when reporting on economic and social performance.

Economic Performance

Organisations affect the economies in which they operate in many ways, including through their use of resources and creation of wealth. These impacts, however, are not fully captured and disclosed by conventional financial accounting and reporting. Thus, additional measures are required to capture the full range of an organisation's economic impacts. Sustainability reporting has rarely embraced economic measures to date, although there is a lengthy history of measuring certain economic effects, for example, of company relocation, closure, and investment.

The economic indicators proposed below aim to cover the main spheres of economic performance and impact. The GRI encourages reporters, in consultation with their stakeholders, to use these indicators as well as others that more accurately portray the economic performance of the organisation. The GRI solicits feedback from reporters and report users on these economic indicators, including the recommendation of alternatives. This will provide the basis for enhancing future revisions of the *Guidelines*.

Profit

6.37 Net profit/earnings/income.

6.38 Earnings before interest and tax (EBIT) (net sales minus expenses, except interest expense and income tax).

6.39 Gross margin (net sales minus cost of goods and services sold).

6.40 Return on average capital employed (ROACE).

6.41 Dividends.

6.42 Geographic distribution of items 6.37 to 6.41.

Intangible Assets

6.43 Ratio of market capitalisation to "book" value (note those components of book value that comprise intangible assets).

Investments

6.44 Human capital (e.g., employee training, community education).

6.45 Research and development.

6.46 Other capital investments.

6.47 Debt/equity ratio.

Wages and Benefits

6.48 Total wage expense, by country.

6.49 Total benefits expense, by country.

Labour Productivity

6.50 Labour productivity levels and changes, by job category.

Taxes

6.51 Taxes paid to all taxing authorities.

Community Development

6.52 Jobs, by type and country, absolute and net change.

6.53 Philanthropy/charitable donations.

Suppliers

6.54 Performance of suppliers relative to economic components of programmes and procedures described in item 5.9.

6.55 Number and type of incidences of non-compliance with prevailing national or international standards.

6.56 Nature and location of outsourced operations.

6.57 Value of goods and services that are outsourced.

6.58 Performance of organisation in honouring contracts with suppliers, including meeting payment schedules.

Products and Services

6.59 Major economic issues and impacts associated with the use of principal products and services, including disposal, where applicable. Include qualitative and quantitative estimates of such impacts, where applicable.

Social Performance

The social dimension of sustainability captures the impact of an organisation's activity on society, including on employees, customers, community, supply chain, and business partners. Social performance is a key ingredient in assuring an organisation's licence to operate, and supports the organisation's ability to deliver high-quality environmental and economic performance. Many stakeholders believe that reporting and improving social performance enhances reputation, increases stakeholder trust, creates opportunities, and lowers costs.

TRANSPARENT
BENEFICIAL

At present, reporting on social performance occurs infrequently and inconsistently across organisations. While there is some agreement on measures for certain dimensions of social performance, they are not as well developed as measures of environmental performance. The GRI encourages reporters, in consultation with their stakeholders, to use the social indicators identified below as well as others which more accurately portray the social performance of the organisation. The GRI solicits feedback from reporters and report users on these social indicators, including the recommendation of alternatives. This will provide the basis for enhancing future revisions of the *Guidelines*.

Workplace

Quality of Management

6.60 Employee retention rates.

6.61 Ratio of jobs offered to jobs accepted.

6.62 Evidence of employee orientation to organisational vision.

6.63 Evidence of employee engagement in shaping management decision making.

6.64 Ranking of the organisation as an employer in internal and external surveys.

6.65 Job satisfaction levels.

Health and Safety

6.66 Reportable cases (including subcontracted workers).

6.67 Standard injury, lost day, and absentee rates (including subcontracted workers).

6.68 Investment per worker in illness and injury prevention.

Wages and Benefits

6.69 Ratio of lowest wage to national legal minimum.

6.70 Ratio of lowest wage to local cost of living.

6.71 Health and pension benefits provided to employees.

Non-discrimination

6.72 Percentage of women in senior executive and senior and middle management ranks.

6.73 Discrimination-related litigation—frequency and type.

6.74 Mentoring programmes for minorities.

Training/Education

6.75 Ratio of training budget to annual operating costs.

6.76 Programmes to foster worker participation in decision making.

6.77 Changes in average years of education of workforce. Incorporate achievement associated with training programmes.

Child Labour

6.78 Verified incidences of non-compliance with child labour laws.

6.79 Third-party recognition/awards for child labour practices.

Forced Labour

6.80 Number of recorded grievances by employees.

6.81 Incidences identified through organisation's auditing of suppliers.

Freedom of Association

6.82 Staff forums and grievance procedures in place—percentage of facilities and countries of operation.

6.83 Number and types of legal actions concerning anti-union practices.

6.84 Organisational responses to organising at non-union facilities or subsidiaries.

Human Rights

General

6.85 Demonstrated application of human rights screens in investment.

6.85 Evidence of systematic monitoring of organisational practices.

6.86 Number and type of alleged violations, and organisational position and response.

Indigenous Rights

6.88 Evidence of indigenous representation in decision making in geographic areas containing indigenous peoples.

6.89 Number and cause of protests.

Security

6.90 Examples of incorporating security and human rights into country risk assessment and facility planning.

6.91 Remuneration/rehabilitation of victims of security force action.

Suppliers

6.92 Performance of suppliers relative to social components of programmes and procedures described in item 5.9.

6.93 Number and type of incidences of non-compliance with prevailing national or international standards.

6.93 Frequency of monitoring of contractors regarding labour conditions (e.g., child labour).

6.94

Products and Servicess

6.95 Major social issues and impacts associated with the use of principal products and services. Include qualitative and quantitative estimates of such impacts, where applicable.

6.96 Customer satisfaction levels.

Integrated Performance

Integrated indicators are those with the potential to become generally applicable or organisation-specific, but which are currently at an early and experimental stage of development. Integrated indicators are of two types:

Systemic: Systemic indicators link performance at the micro-level (e.g., organisational level) with economic, environmental, or social conditions at the macro-level (e.g., regional, national, or global level). The following are examples of this type of indicator:

- wages and benefits, or investments in research and development, at the organisational level expressed in relation to sectoral or national totals;
- workplace accident or discrimination cases at the organisational level expressed in relation to regional or sectoral totals;
- an organisation's total materials use during a product's life cycle expressed relative to globally sustainable levels measured in terms of resource availability and/or biophysical or assimilative capacity.

Systemic indicators reflect a movement towards linkage and harmonisation between (a) organisation-level information and (b) sectoral, national, regional, and global scale information.

Cross-cutting: Cross-cutting indicators bridge information across two or more of the three elements of sustainability—economic, environmental, or social—of an organisation's performance. The following are examples of this type of indicator:

- a composite measure of diversity (economic–social–environmental);
- eco-efficiency (economic–environmental); and,
- externalised costs of emissions (economic–social or economic–environmental).

In some instances, integrated indicators combine systemic and cross-cutting approaches. For example, expressing an organisation's air emissions in relation to regional totals as well as estimates of human health effects of such emissions combines the systemic (micro–macro) with the cross-cutting (environmental–social) dimensions of integrated indicators.

In this release of the *Guidelines*, reporters are asked to select and explain the measurement approach of at least one systemic and one cross-cutting indicator. The list below provides some examples, drawn primarily from the environmental area.

Reporters are asked to select and explain the measurement approach of at least one systemic and one cross-cutting indicator.

Systemic

- ratio of actual to sustainable resource use based on a measure of biophysical limits;
- ratio of actual to sustainable emissions/discharges based on biophysical limits defined by government or international agreements;
- effects of production emissions/discharges on biodiversity;

Cross-Cutting

- effects of production emissions/discharges on human health;
- materials intensity per unit of service for selected products and services;
- eco-efficiency (unit of service per unit of environmental influence) for selected products and services;
- estimates of externalised (social) costs of selected emissions; and
- a composite measure, or index, of diversity created or sustained by the organisation, incorporating the economic, environmental, and social manifestations of diversity.

Over time, examples with more economic and social content will be strengthened. Examples of both systemic and cross-cutting indicators will appear on the GRI website and will be continuously updated and expanded. Experimentation and feedback will provide the basis for strengthening integrated indicators in future versions of the *Guidelines*.

Part D:
Annexes

Additional resources are available at www.globalreporting.org

Annex 1

Resources for Selecting and Applying Indicators

The following table presents a selection of initiatives that may assist GRI reporting. It covers initiatives identified by the GRI consultation process and is not intended to be complete or exhaustive.

Organisation/ Initiative	Website	Content
Accounting Bodies in Eleven European Countries *The European Environmental Reporting Awards*	www.acca.org.uk/resources/environment/#euroera	Eleven European accounting bodies participate in this annual environmental reporting award. In year 2000, the program entered its fifth award cycle. As recognised leaders in environmental reporting, winning company reports may contain indicators of interest to GRI reporters. The total number of countries worldwide with environmental and social reporting programs is approximately seventeen.
Canadian National Round Table on Environment and the Economy (NRTEE) *Measuring Eco-efficiency in Business*	www.nrtee-trnee.ca	NRTEE's *Measuring Eco-efficiency in Business* presents the results of feasibility testing of material and energy intensity indicators by a small group of large companies. These indicators may be of interest to GRI reporters in responding to Section 6 of the *Guidelines.*
Council on Economic Priorities Accreditation Agency (CEPAA) *Social Accountability 8000 Standard (SA8000)*	www.cepaa.org	CEPAA has developed SA8000 (1997) as a voluntary standard for auditing workplace conditions and a system for independently verifying factories' compliance with that standard. Issues covered include child labour, forced labour, health and safety, freedom of association, and right to collective bargaining. Information provided by companies in the SA8000 process are closely aligned with the social indicators in Section 6 of the GRI *Guidelines.*
European Chemical Industry Council (CEFIC) *Responsible Care – Health, Safety, & Environmental (HSE) Reporting Guidelines*	www.cefic.org	CEFIC's revised *HSE Reporting Guidelines* (November 1998) provides a reporting and monitoring framework for the European chemical industry that encompasses HSE data in one coherent scheme. The initiative includes 16 Common Core Parameters and their definitions. The Core Parameters include indicators in safety and occupational health, environmental protection, and distribution incidents.
European Community *Eco-Management & Audit Scheme (EMAS)*	europa.eu.int/comm/environment/emas/	The Regulation establishes a voluntary environmental management scheme, based on harmonised lines and principles throughout the European Union, open to companies in the industrial sector operating in the European Union and the European Economic Area. The Regulation came into force in July 1993. The scheme has been open for participation by companies since April 1995 and will be revised in 2000. The aim of the scheme is to promote continuous environmental performance improvements of industrial activities by committing sites to evaluate and improve their own environmental performance. Compliance with ISO 14000 may be considered to represent partial compliance with the EMAS registration scheme. A key requirement of the EMAS regime – and one that takes it beyond the requirements of ISO 14000 – is that companies seeking accreditation under the EMAS scheme must issue public environmental statements which themselves must be independently verified.

Organisation/ Initiative	Website	Content
Institute of Social and Ethical Accountability ***AccountAbility 1000 (AA1000)*** QUALIDADE NO DIÁLOGO E PARTICIPAÇÃO STAKEHOLDERS	**www.accountability.org.uk**	*AA1000* (1999) is a standard developed by the Institute of Social and Ethical Accountability covering the process of social accounting, auditing and reporting and focused on the quality of dialogue and overall stakeholder participation, for example, in the development of indicators. Because the standard is process based, it does not deal directly with reporting and disclosure issues. It does, however, provide useful insights into the social audit process which supports indicator selection.
International Accounting Standards Committee (IASC) ***International Accounting Standards (IAS)***	**www.iasc.org.uk**	The objective of the IASC is to achieve uniformity in the accounting principles that are used by businesses and other organizations for financial reporting around the world. IASC publishes its Standards in a series of pronouncements called *International Accounting Standards* (IAS). As of June 2000, IASs are recognised globally by the International Organisation of Securities Commissions (IOSCO), and as of 2005 all listed companies in the European Union will be required to apply IASs. IAS 37 is the only international accounting standard to deal directly with environment related issues – liabilities, provisions, contingent liabilities, and long-term decommissioning costs. IAS 14 provides a standard for identifying geographical or business line segments of an organisation, and may be helpful in preparing the Profile of Reporting Organisations, Section 2 of the *Guidelines.*
International Organization for Standardization (ISO) ***ISO 14031*** MODELO - MENSURAÇÃO PARA GERENCIAMENTO AMBIENTAL	**www.iso.ch**	ISO14031 is part of the ISO14000 series that provides a standard framework for environmental management. ISO14031 deals with *Environmental Performance Evaluation.* It is a process guide to measuring, analysing, assessing, and describing an organisation's environmental performance against agreed targets based on the organisation's environmental policy objectives. ISO 14031 contains a number of generic environmental performance indicators designed for internal management reporting and control purposes, as well as guidance on the process for indicator selection. As yet, the ISO 14000 series of environmental management standards contains no requirements relating to external reporting.

Organisation/ Initiative	Website	Content
Investor Responsibility Research Center (IRRC) ***Environmental Information Service (EIS)***	**www.irrc.org/eisweb/eismain.htm**	As part of its Social Issues Research and Screening Services, IRRC operates an Environmental Information Service (EIS) that provides information for investors and other stakeholders to use for evaluating potential environmental liabilities and other environmental issues that affect business. EIS collects information on more than 1500 companies. The company profiles include 11 categories of qualitative and quantitative data, and incorporate three indices of environmental performance: an emissions efficiency index, a spill index, and a compliance index. IRRC notes in the EIS those items that match items in the GRI *Sustainability Reporting Guidelines*. Numerous other organisations collect and provide environmental and sustainability information to investors and investor organisations. These include, for example, the Ethical Investment Research Service (EIRIS) in the UK (www.eiris.u-net.com/) and SAM Sustainability Group in Switzerland (www.samswiss.ch/).
Organisation for Economic Cooperation and Development (OECD) **Commission for Environmental Cooperation (CEC)** **UN Economic Commission for Europe (UNECE)** **UN Institute for Training and Research (UNITAR)** ***Pollutant Release and Transfer Registers (PRTRs)***	**www.oecd.org/ehs/prtr** **www.cec.org** **www.unece.org/env/pp** **www.unitar.org.cwm/prtr/index.htm**	OECD: guidance manual, reports on estimating releases, presenting and using data, workshop and conference reports. CEC: annual reports on PRTRs in Canada, U.S., and Mexico. UNECE: PRTR Task Force under the Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters. UNITAR: policy and technical guidance. These websites also provide links to resources prepared by national government and non-governmental organizations. Work under this initiative, also known as the Aarhus Convention, most directly addresses facility-level reporting in contrast to the GRI's organisation-level reporting. Maximum harmonisation between these two levels is a goal of the GRI.
Multistakeholder, co-convened by World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) ***Greenhouse Gas Protocol Initiative (GhgProtocol)***	**www.ghgprotocol.org/**	The Greenhouse Gas Protocol Initiative, co-convened by the WBCSD and WRI, is working in partnership to design, disseminate and promote the use of an international standard for company reporting on greenhouse gas emissions. Modeled on the GRI process, it brings together many leading experts drawn from business, governments and non-governmental organisations. The resulting protocol will provide implementation tools and supporting guidance for the greenhouse gas indicator listed in Section C (6.14) of the GRI *Guidelines*. Other outputs will include two supporting modules on product life cycle greenhouse gas emissions and carbon sequestration. This initiative builds on the work of the Intergovernmental Panel on Climate Change and will augment existing guidance such as the UK Department of the Environment, Transport and the Regions (DETR) *Guidelines for Company Reporting on Greenhouse Gas Emissions* and the United Nations Environment Programme's (UNEP) *Guidelines for Calculating Greenhouse Gas Emissions for Businesses and Non-Commercial Organisations* described directly below. This is specifically related to item 6.14 of the GRI *Guidelines*.

Organisation/ Initiative	Website	Content
UK Department of the Environment, Transport and the Regions (DETR) ***Guidelines for Company Reporting on Greenhouse Gas Emissions***	**www.environment.detr.gov.uk/ envrp/gas/index.htm**	*Guidelines for Company Reporting on Greenhouse Gas Emissions* (June 1999). These are the first national guidelines to be issued following the United Nations Environment Programme's (UNEP) *Guidelines for Calculating Greenhouse Gas Emissions for Businesses and Non-Commercial Organisations* (see www.unep.ch/etu/finserv/insura/co2.). The DETR Guidelines contain detailed computational guidance on computing GHG emissions and CO_2 equivalents based on 3 sources: energy use on premises, emissions from transport, and process related emissions. Several UK companies are already reporting their greenhouse gas emissions on the basis of these guidelines. This is specifically related to item 6.14 of the GRI *Guidelines.*
World Business Council for Sustainable Development (WBCSD) ***Measuring Eco-Efficiency: A Guide for Companies to Report Performance***	**www.wbcsd.org**	WBCSD's report, *Measuring Eco-Efficiency: A Guide for Companies to Report Performance* (2000), encourages the use of the eco-efficiency concept by proposing a common measurement framework that can guide companies. It is intended to enable company managers and external stakeholders to use eco-efficiency indicators as a means of making and measuring progress toward economic and environmental sustainability. The environmental indicators in the GRI *Guidelines* (Section 6) are closely aligned with WBCSD's eco-efficiency work.

This list will be regularly revised, updated, and expanded on the Global Reporting Initiative's website: www.globalreporting.org.

Annex 2
Guidance on Incremental Application of the *Guidelines*

Introduction
Some organisations may decide that producing a complete GRI report is too difficult, time-consuming, or expensive. This may be particularly true for organisations writing their first reports or organisations that are small or medium-sized. This annex provides broad guidance on how such organisations may apply the *Guidelines* incrementally, in cases where partial application is an appropriate first step on the road towards full application of the *Guidelines*.

The June 2000 GRI *Guidelines* embody the views, experience, and expertise of a diverse range of participants in the GRI process. The *Guidelines* reflect the GRI's current view on what organisations should cover in reports on the economic, environmental, and social dimensions of their operations. They present both a recommended structure and specific content for reporting. As experience accumulates, so will best practices on applying the GRI *Guidelines*.

The GRI deliberately provides only limited guidance on how the *Guidelines* should be applied, as it wants to encourage experimentation. Reporting on the economic, environmental, and social dimensions of organisational activities is relatively new for both organisations and external users. Such reporting will evolve over many years. Experimentation by reporters will facilitate the learning and continuous improvement needed to improve the *Guidelines* over time.

Balancing Principle with Practice
Between the release of the *Guidelines* in exposure draft form in March 1999 and the release of these revised *Guidelines*, the GRI received and analysed feedback and comments from scores of organisations active in corporate reporting. Many of the comments were based on the experiences of organisations in using the exposure draft, and many of these fell into two broad categories: issues of principle and issues of practicality, as summarised in the table below.

Illustrative Feedback on the March 1999 Exposure Draft *Guidelines*

Issues of principle	The GRI Guidelines should: ▸ be flexible on how information is presented; ▸ be on the leading edge of reporting; ▸ act as a common framework for both new and old reporters; and
Issues of practicality	The draft GRI Guidelines are: ▸ challenging to implement for first-time reporters, who may not have any reporting processes or systems in place; ▸ difficult to implement for smaller businesses with limited resources; and ▸ complicated in relation to collecting and aggregating the data necessary for the indicators.

Emerging from these comments is one key theme: how can organisations—large or small—that are committed to public reporting respond to the GRI *Guidelines* in a gradual, transitional way while still maintaining a commitment to the concept of complete economic, environmental, and social reporting?

The GRI seeks to be as inclusive as possible while evolving a high standard of reporting. In working towards both reporting excellence and a large number of reporting organisations, the GRI accepts that a phased approach may be necessary depending on resources, experience, and internal management systems. At the same time, the GRI seeks a commitment and evidence that the reporter is serious about developing a full sustainability report in future reporting cycles. To ensure the integrity of the GRI process, it is essential that flexibility not be used as a way to select only information that reflects favourably on the reporting organisation. This would violate the reporting principles detailed in Part B of these *Guidelines*.

Implementing an Incremental Approach

Organisations choosing to adopt an incremental approach may find the four models presented below useful in structuring their strategy towards full adoption of the *Guidelines*.

These models may offer a useful starting point for designing a reporting strategy, identifying shortcomings, and setting goals, a process that over time will result in full adoption of the GRI framework. Organisations may opt for any one or a combination of models according to their capabilities, stakeholder needs, and overall strategy.

The Environmental Report

Economic	Environmental	Social
	✓	
	✓	
	✓	
	✓	
	✓	

- Typical of an organisation that is experienced in producing environmental reports.
- Systems in place to gather data on environmental impacts, but little or no experience reporting other dimensions.
- Currently little attention to economic and social dimensions of performance.
- Systems and processes need to be developed in order to gather the data through stakeholder engagement.

The Fragmented Report

Economic	Environmental	Social
	✓	
	✓	✓
	✓	✓
✓		

- Reporting entity has some systems for gathering data on economic, environmental, and social performance.
- Little or no integration across the three elements.
- Lacks full performance data under each heading.
- Often provides most data on environmental performance and least on economic.

The Limited Three-Dimensional Report

Economic	Environmental	Social
✓	✓	✓

- Typical of an organisation that has just begun to report and has embraced one or a few sustainability integration themes.
- Limited but approximately equal amount of economic, environmental, and social information.
- Some evidence of integration across dimensions.

Full Adoption

Economic	Environmental	Social
✓	✓	✓
✓	✓	✓
✓	✓	✓
✓	✓	✓
✓	✓	✓

- Full data gathering according to the GRI section on performance, with integration, analysis of interactions, and causal links among economic, environmental, and social dimensions.

Conclusion

The GRI encourages all organisations—regardless of size, sector, location, or sophistication—to begin application of the *Sustainability Reporting Guidelines*. Sustainability reporting is in its infancy; experimentation and learning are essential. An incremental approach on the part of reporting organisations is a welcome and integral part of this learning process. The mutual learning through such experimentation will provide a foundation for continuous improvement of the *Guidelines* in the future.

Annex 3
Guidance on Verification

Introduction
Several organisations worldwide provide verification statements or verifiers' opinions on their sustainability reports.[5] These statements and opinions provide a degree of independent assurance about the reliability and credibility of sustainability reports.

As yet, however, there is no generally accepted, common understanding of the various approaches to verifying sustainability reports or on the appropriateness of these approaches for the different types of subject matter a sustainability report may include. Nor is there consensus on how verification should be carried out, what should be included in a verification statement or opinion, or who should carry out verification. Different verification service providers from different disciplines offer different approaches. Providers produce different types of reports on their work and conclusions. In short, there are no widely accepted or global standards concerning verification of sustainability reporting.

As currently written, the GRI's mission statement does not include or anticipate GRI developing such guidelines or standards. The GRI does, however, encourage the development and adoption of principles and guidelines for verification practices that will over time enhance consistency, quality, and credibility in the verification of sustainability reporting.

The following discussion represents general, practical guidance that the GRI considers useful to organisations, their stakeholders, and verification providers at this time. This guidance applies especially to organisations following the GRI *Guidelines* in preparing their sustainability reports. Use of this guidance is voluntary and is subject to any amendments necessary in the light of legislative requirements in particular countries or jurisdictions. Any progress in the direction of internationally accepted verification practices and standards for sustainability reporting should be a part of an organisation's verification decisions.

Planning for Verification
An organisation that commissions an independent verification of its sustainability report can do so in respect of the entire report or specified parts or aspects (e.g., environmental performance, compilation of data and indicators, product performance information, stakeholder engagement processes). Indeed, some parts of sustainability reports may be derived from sources that were previously subject to independent verification for other purposes.

Factors to be taken into consideration in deciding whether or not to commission independent verification include:

- stage of the organisation in sustainability reporting;
- input from consulting with key stakeholders;
- the availability and verifiability of data and information systems;
- the availability of appropriate criteria to be used in the verification process (such as the GRI *Guidelines* as a basis for judging the completeness and reliability of a sustainability report).

5. Additional technical papers and discussion memoranda about verification of sustainability reporting, including products of the GRI Verification Working Group, are available on the GRI website at www.globalreporting.org.

Organisations should also consider other mechanisms and complementary approaches that can enhance the quality, reliability, and usefulness of sustainability performance information, such as those in Section 8 of "Introduction and General Guidance" (Part A).

Taking into account stakeholder expectations, the organisation needs to consider: the subject matter, scope, and methods of the verification; who should carry it out; what resources need to be allocated; and whether the verification can be completed on a timely basis. These decisions are normally made in consultation with potential verification service providers as to the verification approach and methods to be used. The selection and engagement of verifiers is desirable during, not after the end of, the reporting period in question. Organisations will normally be seen as more transparent and credible when they disclose the basis for their decisions on verification matters.

Organisations that do not yet provide independent assurance of any kind about their sustainability reports are encouraged to concentrate on implementing and improving their sustainability reporting systems and practices. They should bear in mind the future verifiability of the systems, processes, and data. Organisations may also wish to consider stating for the benefit of external stakeholders why they are not having independent verification of their sustainability reports and their future intentions in this regard.

Methods, Standards, and Stakeholders

It is reasonable to expect that independent verifiers of sustainability reports will eventually plan, conduct, and report on their work in accordance with common, widely accepted standards or guidelines appropriate for the approaches and methodologies employed and the subject matter being verified. Further, these standards or guidelines will likely be referenced in the reports or statements they provide. When such guidelines or standards do emerge, they are likely to incorporate concepts and methodologies from both traditional financial auditing and from other disciplines and models, including those involving stakeholder consultation processes.

As a step towards the development of such standards, there is a need for a more broad-based consensus about what is meant by verification and what value it adds to sustainability reporting. That is, what may be expected in terms of reliability and trustworthiness attributable to different types of reported information, and to approaches and processes for obtaining the evidence needed in verification? And, what are effective ways of communicating with stakeholders about verification results? Reporting organisations are invited to participate in consensus building on these issues, so as to influence the usefulness and reasonableness of future standards or guidelines on verification.

Stakeholders' expectations may change over time. In general, as stakeholders become more familiar with the GRI *Guidelines* and with verification approaches, verified reports will achieve greater credibility among such stakeholder groups.

Stakeholders have diverse information needs and performance expectations, as well as diverse expectations about verification. They do not have the benefit of widely understood and accepted standards or guidelines for verification.

Thus, it is important that any verification arrangements and processes initiated by an organisation be informed from the outset by an up-to-date understanding of stakeholder expectations about the reported information. Decisions on verification also should be informed by the significance or materiality of reported information, and the degree to which verification may add value and credibility.

The selection of appropriately qualified, competent, and independent verifiers—from one or more organisations and disciplines acting independently or jointly—also is a process in which stakeholder expectations should be considered. This will help ensure the credibility of the verification process and its reported results.

Form and Content of Verifiers' Statements or Reports

In the absence of a widely accepted set of standards or guidelines for carrying out and reporting on verification of sustainability reporting, it is reasonable for organisations and stakeholders to expect that the reports or statements by those who carry out verification will include:

(a) An identification of the subject matter about which the verifier is providing assurance, as well as the title and date of the report or other medium (e.g., website) that contains the subject matter.

(b) An acknowledgement that the reported subject matter is the responsibility of the organisation's management and that the verification statement is the responsibility of the verifier.

(c) The purpose of carrying out the verification.

(d) The nature and source of criteria used in evaluating the subject matter, developing findings, and reaching conclusions; if the purpose of the verification is to provide assurance about the extent to which the sustainability report complies with the GRI *Guidelines*, these should be referred to in the verifier's conclusion or opinion.

(e) The procedures carried out and any standards followed in the course of the verification, including the extent to which stakeholders were involved in planning and participating in the verification process.

(f) An identification of the party or parties responsible for the verification, as well as an indication of the relevant qualifications or competencies of those who carried out the work and their relationship to the preparers of the report.

(g) A statement or opinion as to the conclusions reached and an indication of the level of assurance provided about the subject matter, including any reservations or limitations.

(h) The date and place of issuing the verification statement or report.

Organisations are advised to discuss and review the expected form of verification statement or report when engaging the verification service provider.

Conclusion

The verification of sustainability reports, like sustainability reporting itself, is at an early stage. Verification is one of several ways to enhance the credibility sought by both reporting organisations and report users. The GRI expects to learn alongside reporters and verifiers what approaches work most effectively and efficiently. The GRI will inform, and be informed by, evolving verification practices. Its future role in the evolution of verification will be shaped from this dynamic, interactive process.

Annex 4
Guidance on Ratio Indicators

Purpose

This annex provides guidance on the selection and use of ratio indicators in sustainability reporting for the benefit of both report providers and report users. The GRI asks reporters to express information in a ratio form of their choice, as well as in absolute form.

Why Report Ratio Indicators?

Absolute data on corporate sustainability performance, whether economic, environmental, or social, do not by themselves provide a complete picture of an organisation's activities. Such information only becomes meaningful when it is related to other data. Such relationships make performance data more understandable and more usable to support decision making. These relationships also facilitate discussion, interpretation, and learning for both providers and users of sustainability performance information. They are the step that translates information into knowledge.

Relationships between data can be expressed in a variety of ways:

- tracking development over time (e.g., relating figures from different years; relating figures to targets and base years);
- forming a relation between figures from different categories or aspects (e.g., relating an action to its impact on society or on the environment);
- normalising figures to the size of the business or the operation in order to make them comparable (i.e., expressing the impact of different-sized businesses on a standard scale).

Absolute and Relative Figures

Any raw performance data are collected in terms of absolute figures. These can be expressed in dollars, euros, yen or any other currency, or in tonnes, cubic metres, gigajoules, or any other physical units for a given period of operation, most often a year. Absolute figures provide information on the size of an impact, value, or achievement.

Relative figures are ratios between two absolute figures of the same or of a different kind. Ratios allow comparisons of similar products or processes with each other. They also help relate the performance and achievements of one firm, business unit or organisation to another. Ratio indicators provide information on the efficiency of an activity, on the intensity of an impact, or on the quality of a value or achievement.

Need for Reporting Absolute Figures

Absolute figures allow learning about the size of a contribution to an overall effect. They are essential to any assessment of carrying capacity, ceiling, or limits—a core principle of sustainability. For example, the total amount of phosphorous (in tonnes) released to a river by a particular operation allows estimation of the releases of that operation relative to the river's carrying capacity (the total amount the river could carry without showing a certain effect, such as eutrophication through the growth of algae). Absolute environmental figures can provide a linkage to the carrying capacity of an ecosystem or any natural or physical compartment, such as a watershed or rainforest. The same is true for economic and social information (e.g., relating an organisation's total revenues or turnover to a state or national total).

Absolute figures on economic, social, and environmental issues enable data users to:

- consistently track data;
- sum up various releases into a total impact; and
- form additional ratios other than those already reported.

Need for Reporting Ratios

Ratios relate two absolute figures to each other and thereby provide context to both. For example, the fuel efficiency of a car can be expressed in the number of kilometres a user can drive per litre of gasoline consumed. This expresses the functional benefit of the car relative to the fuel required to achieve that benefit. Alternatively, to shift the focus to the impact of a particular activity's resource consumption, a reporter may choose a ratio of the litres of gasoline the car consumes per 100 kilometres.

Ratio indicators serve to:

- **relate two aspects to each other;**
- **make relationships visible and interpretable; and**
- **allow comparability of different scales of operation relative to a specific activity (e.g., kilograms of product per litre of water used).**

Ratios help illuminate linkages across the economic, environmental, and social dimensions of sustainable development. For example, eco-efficiency expresses the relation between the value of a product or service and its environmental influence, where value can be expressed in monetary or functional terms. While eco-efficiency relates economic and environmental aspects, it might also be useful to create a similar linkage between the economic and social aspects of organisational performance.

Organisations should form ratios with their performance data that make sense for their business and support their decision making. They should select ratios for external reporting that allow better communication of their performance to their stakeholders. Reporters should carefully consider what ratio indicators best capture the benefits and impacts of their business.

Types of Ratio Indicators and Their Application

Productivity/Efficiency Ratios

Productivity/efficiency ratios relate value to impacts. Increasing efficiency ratios reflect a positive performance improvement.

Normally, business tracks financial performance with efficiency ratios. Increasing key financial indicators (e.g., sales and profit increases) reflect positive financial performance. In the same way, resource and environmental issues can be expressed in efficiency terms, by using, for example, the World Business Council for Sustainable Development's eco-efficiency indicators, which link product/service value and environmental influence.

Examples of productivity/efficiency ratios include:

- labour productivity (e.g., turnover per employee);
- resource productivity (e.g., sales per unit of energy consumption, GDP per unit of material input);
- process eco-efficiency (e.g., production volume per unit of waste, net sales per unit greenhouse gas emissions in tonnes of CO2 equivalent);
- functional eco-efficiency of products or services (e.g., water efficiency of a washing machine, fuel efficiency of a car); and
- financial efficiency ratios (e.g., profit per share).

Intensity Ratios

Intensity ratios express an impact per unit of activity or unit of value. A declining intensity ratio reflects a positive performance improvement. Historically, many organisations tracked environmental performance with intensity ratios.

Examples of intensity ratios include:

- emission intensity (e.g., tonnes of SO2 emissions per unit of electricity generated);
- waste intensity (e.g., amount of waste per production volume); and
- resource intensity (e.g., energy consumption per function, materials input per service).

Percentages

Organisations regularly use ratios expressed in percentage terms. Such a percentage indicator is a ratio between two alike issues, with the same physical unit in the numerator and denominator.

Examples of percentages that can be meaningful for use in performance reports include:

- input/output ratios (e.g., process yields);
- losses (e.g., electricity transmission loss, non-product output per materials input);
- recycling percentages (e.g., fraction of waste recycled per total waste);
- fractions (e.g., percentage of renewable energy, fraction of recycled materials, percentage of hazardous waste);
- quotas (e.g., percentage of women in upper management); and
- financial performance ratios (e.g., return on equity, return on operating assets).

Further Information on Ratio Indicators

Selected sources of information on ratio indicators related to sustainability performance can be found on the GRI website, **www.globalreporting.org**.

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