Chapter 14

TAKING THE GRI TO SCALE
Towards the Next Generation of Sustainability Reporting Guidelines

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Abstract: Among the various contributions to the advancement of a partnership-based approach to sustainable development made by the 2002 UN World Summit on Sustainable Development (WSSD), one in particular invited special attention. This is the reference - in paragraph 18 of the WSSD Plan of Implementation - to the Global Reporting Initiative (GRI)'s *Sustainability Reporting Guidelines*, the only 'global public policy initiative' to be specifically referenced in the Summit outcomes. A decade earlier, at the 1992 Rio de Janeiro 'Earth Summit', the concept of sustainability reporting did not yet exist. At the 1997 'Rio + 5' Summit, the GRI itself did not yet exist. Today nearly 500 organisations headquartered in 45 countries use the GRI *Guidelines* to report on their sustainability performance. How has sustainability reporting – and the rise of GRI as one of the most important information exchange platforms - occurred so rapidly? The success factor is the multi-stakeholder component which underlies all of GRI's product development and product revisions.

1.   INTRODUCTION: THE MULTI-STAKEHOLDER SUCCESS FACTOR

GRI was born in 1997 when CERES and UNEP began a dialogue among a wide network of individuals and organizations interested in the development of a globally applicable framework for reporting on sustainable development. By ensuring participation and striving for consensus from business, civil society, investors, labour, academia, accountants and others, the *Guidelines* enjoy a unique credibility. The thousand's of individuals and organizations

that have been involved over the years feel some degree of ownership of this public good, and all know that they have a place where their voice can be heard.

This contribution to EMAN's book captures the results of the most significant global discussion on sustainability reporting ever held. Over an eight month period GRI engaged with nearly 450 individuals from diverse stakeholder backgrounds and geographies in order to gather their feedback on the existing version of the *Guidelines.* This chapter will outline how this global dialogue has informed the design of a process that will result in a quantum leap for sustainability reporting and GRI's portfolio of reporting guidance.

2.   A GLOBAL DIALOGUE ON THE 2002 GUIDELINES: RESULTS FROM THE STRUCTURED FEEDBACK PROCESS

Consensus that transparency around an agreed set of sustainability indicators was the driver that stood clearly in the forefront during the development stages that led to the current version of GRI *Guidelines* – released during the WSSD in 2002. Now, two years later, GRI is facing its next challenge: the innovation of a new generation of GRI *Guidelines*, expected to be published in early 2006, that build on the existing framework, increase comparability of data across organizations and bridge the delivery gap between report preparers and information seekers. This challenge carries with it the opportunity to move sustainability reporting into the mainstream of business practice, expanding the total number of reporting organisations from 500 to thousands in the next years.

Between July 2003 and March 2004 GRI conducted a process designed to solicit feedback on the 2002 *Guidelines* from all constituencies that have used them as reporting guidance and/or use GRI-based reports for benchmarking, assessing and surveying corporate performance, rating and ranking as well as for making investment decisions. This engagement exercise is known as the Structured Feedback Process (SFP), and is part of GRI's regular revisions and development process for all of its technical documents.

The design of the SFP needed to ensure a diverse geographic spread of participants to better frame the wide varieties of regional pictures about the awareness, readiness and usage of the current *Guidelines,* and how these might change in the future. Keeping in mind GRI had to engage report preparers and information seekers across the globe, three different feedback loops were offered for all participants:

- Phase 1: A questionnaire about the 2002 *Guidelines* that was posted on the GRI website, open for all interested parties to contribute their responses
- Phase 2: Seven regional roundtables to gather additional feedback (photos, participants lists and meeting summaries for each roundtable are available at Internet URL: <http://www.globalreporting.org/sfp>)
- Phase 3: Summary roundtable reports were sent to all participants so they could incorporate their final reflections on the topics discussed

Overall, the Structured Feedback Process for the 2002 *Guidelines* was the largest and most widespread single outreach project ever undertaken by GRI:

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

Capacity constraints and the interactive roundtable design did not allow for more than one person per organization and a maximum of 60 organizations per roundtable. The total number of applications for spaces at SFP roundtables worldwide (758) shows that interest in the *Guidelines* and contributing to their revisions and innovation has never been higher.

The results of the questionnaire analysis informed the design of the roundtable discussions and also helped to tease out discussions that needed to recognize the different angles and layers around several sets of issues. Designing the dialogue sessions proved rather complex. It was clear from the beginning that many of the most important issues to be discussed around the GRI 2002 *Guidelines* were interrelated and couldn't be separated from each other. For example:

- A discussion on changing the concept of incremental reporting would need to be linked to consequences for the concept of *in accordance* reporting
- A discussion about more flexibility when using the Guidelines couldn't be discussed without spending time talking about the effects on the comparability of report information

GRI took this interconnectedness into account and organized breakout groups around interrelated topics. The structure as shown in Figure 14-1 gives an overview of how the multi-stakeholder discussions at the roundtables were organized. A resulting set of "10 main messages" emerged from these discussions, and are presented in the subsections below.
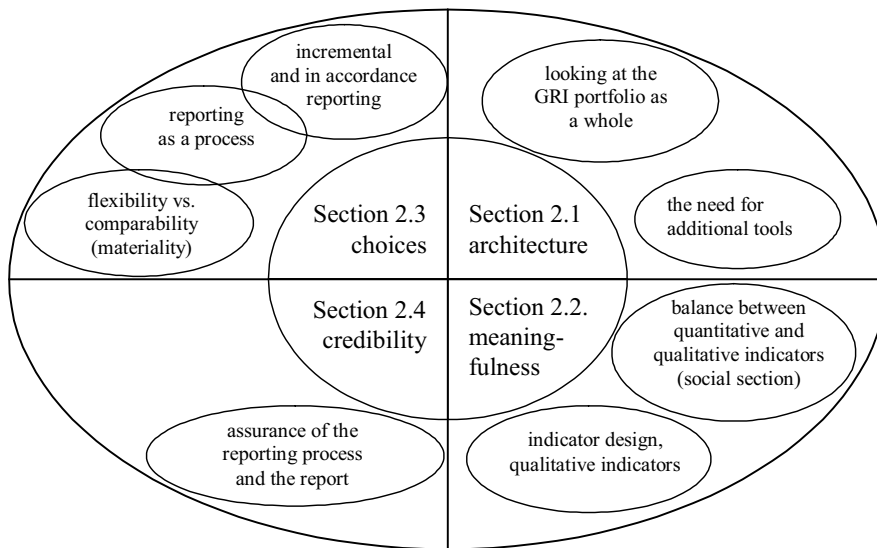
Figure 14-1. Areas of importance for the revision of the GRI 2002 Guidelines.

2.1   Architecture

A first set of issues was tackling the understanding and the design of GRI's product portfolio as a whole, and identifying whether additional tools are needed. How do the various pieces of the portfolio fit together? Where are areas for improvement? What additional tools are needed? Here are the main messages from the SFP:

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

Currently GRI only offers an incomplete set of Technical Protocols, six Sector Supplements and one Resource Document on HIV/AIDS (For a full description of the GRI Portfolio of documents see Internet URL: <http://www.globalreporting.org/guidelines/framework.asp>). The roundtable participants recommended focusing efforts on completing a full set of Technical Protocols to help increase the possibility of making more comparable information available. This will also increase the willingness of information seekers to build their assessments around GRI-based report information.

The overall framework and portfolio design was also often discussed in relation to helping reporting organizations to better define material reporting information (aspects and indicators) for their reports. It was generally agreed that a growing number of Sector Supplements, based on a clear indication of

relevance and funding prospects by the respective sectors will strengthen GRI's position as the most important point of reference for sustainability reporting across diverse industry sectors.

The roundtables also encouraged GRI to work on additional documents. Examples of proposed areas to cover include:

- How to deal with dilemma situations and how to better cross-reference data to clarify the reporting organization's business case for sustainability (integrated approach, ethical behaviour, link to overall company strategy and vision)
- How to address changes of the product mix as well as reflecting outsourcing and supply chain issues (GRI began a Boundaries Working Group in 2004 that partly covers these issues; possibly an addition of supply chain indicators in the next *Guidelines* version will help to better tackle this issue. See Internet URL: <http://www.globalreporting.org/boundaries> for more)
- Notes on the general use of metrics and the normalization of data as well as general guidance on the value of aggregating and disaggregating data

Some roundtables saw a need for additional overall guidance for "how the GRI Framework and Portfolio pieces fit together"; this could be useful when industry specific approaches become more mature. It was left open if this should be a separate "guide" or be described in more integrated guidance at a prominent place in the next generation of the Guidelines. A software solution will help deliver the entire portfolio in a seamless manner.

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

GRI defines its mission in the following way: "To produce globally accepted and globally applicable Sustainability Reporting Guidelines", however, many reporting organizations start reporting from a national or regional perspective. This seems to be true for some multinational enterprises since they often take into account the relevant environment of the country they are headquartered in first and then (over time) develop a full "global view" or develop country by country reports. GRI is seen as a "backbone" or "reference" document rather than as an "all you need" for reporting.

Some roundtables clearly stated the need for additional national or at least regional annexes, including information about national requirements (national codes, industry charters, stock exchange requirements, national indexes, etc.) and guidance on how GRI interacts with local/national/regional reporting requirements and institutions. It is not surprising that these needs were mainly and most clearly addressed in South Africa, Hong Kong, Australia and Brazil. Furthermore this approach could be a good start for an activity of national networks of GRI in several countries.

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

Currently, the GRI portfolio is distributed in print or downloadable PDF files. This, added to the information flow gap between report preparers and information seekers, points to the need for GRI to enter the software era. Therefore the Secretariat has proposed software development around the next generation of GRI *Guidelines.* A software platform could enable GRI to deliver its own product(s) in a completely seamless manner. It offers all advantages of hyperlinked and step-by-step information to guide the various audiences.

The idea of a one-stop-shop repository was also generally welcomed by the roundtables. GRI therefore issued a Request for Proposals to software companies in January 2004, including such elements as a reporting wizard, a Central Repository for reported data, and the delivery of GRI's portfolio in a way that combines the necessary sectoral and regional guidance for the user. 46 companies responded and GRI has undertaken first steps to align the software development with the revisions process for the next generation of *Guidelines* (for more information on GRI software development see Internet URL: <http://www.globalreporting.org/software>). But roundtable participants also advised that GRI should not compete with software companies in their respective approaches to data gathering and data mining within a given software architecture of a company.

Further suggestions to provide benchmark help by showcasing leading good practice (without endorsement of specific companies) and offering up-to-date statistics on the use of GRI's Portfolio were seen as useful additional services. This additional guidance could be disseminated in various ways, e.g. packages to best help management understand the need for sustainability reporting through a CEO briefing and standard presentations. Specific SME help guidance should be delivered. Leading practice of assuring processes and verifying reports could be added. There was also a shared view that GRI needs to better articulate the advantages of reporting ("explaining the business case"), combined with a clear value statement beyond shareholder value and tied to sustainability. A GRI software platform could help to organize all of these elements.

2.2   Meaningfulness

This area mainly touches questions about indicators, their general design and usefulness in various contexts. Apart from all other procedural questions about how to use the GRI *Guidelines*, the section about indicators is very

often the most read part of the *Guidelines* and seen as GRI's centrepiece. Here are core messages around this area:

"The overall design of the Guidelines following the "triple bottom line" was reaffirmed but more clarification on indicators needs to be achieved."

There has always been an active discussion about the best way to design and cluster indicators since sustainability is a very cross-cutting paradigm. All roundtables reaffirmed that the triple bottom line approach of structuring reporting indicators is by far most appropriate way and should not be changed. Although the question of interrelation and "integrated indicators" remains a challenge and an issue, a change in the overall approach would cause problems to existing reporters and their data gathering systems already in place. The main challenge for GRI going forward is to help organizations produce a set of data that is an "integrated" overview of their business model and how sustainability considerations were reflected in it.

This emphasizes once again that the GRI Framework needs to pursue an "as complete as possible" set of documents. This ensures easier use and increases opportunity to compare information from multiple sources. Some roundtables wanted GRI to put more emphasis on the overall products and services impact because this seems to best characterize the integrated impact of an organizations activity, but this was counterbalanced with a second message that this can be best achieved through Sector Supplements, reflecting specific groups of products as well as more specific supply and demand chain impacts.

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

The statistical assessment of the SFP questionnaire clearly outlined the need for a discussion about how to better measure impacts of a reporting organization's behaviour. It was clarified that more outcome-related and quantifiable performance measures are wanted. The roundtables also discussed the overall criteria for the right balance of quantitative and qualitative indicators. Furthermore the statistical analysis clearly stated that a change towards more quantifiable and impact-related information was most wanted in the social section. There is also more clarity needed in the economic section as many economic activities result in social impacts. The need for indicator contextualization in the social section of the *Guidelines* is also seen as essential since social impacts always carry a regional or local dimension.

There is always some limitation in the sorts of data that result from presenting an indicator worded concisely in only 2-3 lines (as are most indicators in the current version of the *Guidelines*). The roundtables emphasized that a good indicator needs to include several dimensions to be widely accepted, e.g.:

- Consistency (describing, assessing and evaluating is not enough)
- Quality that puts indicators into substantive overall business case descriptions
- Preciseness without precluding or judging (good or bad)
- Comparability over time and possibility for "fair" benchmarking (also sector-wise)

The impact paradigm that leads the thinking in the economic section of the *Guidelines* is mostly not used by reporters in practice (the GRI economic indicators are designed to measure an organizations impacts on its key stakeholder groups: suppliers, customers, employees, providers of capital and public sector). This trend has caused frustration on the side of NGO's and Civil Society Organizations who resonate with the stakeholder orientation of the economic indicators. It seems to be unclear to both reporters and information seekers about how the impacts can be best described, thus more guidance is needed how to report economic impacts.

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

The SFP questionnaire asked participants about their attitude towards the number of indicators. The results show that the jury is split between those who would like to see a decrease in total number of indicators and those who wanted the number of indicators to remain about the same or increase. Interestingly this split jury is also true within the sub-sector of business participants in the questionnaire, and this split was reaffirmed during the roundtable discussions. The statistical analysis of the survey also showed that information seekers felt that the *Guidelines* cover most relevant issues and the right set of topics. In a divergence of opinion, it was clear that not all participants agreed with the depth and the set of indicators in each specific aspect area of the *Guidelines*, however, in total, a high percentage (88%) saw GRI as being on the right path to make reports more comparable.

The roundtables showed a remarkable consistency in the view that the question about the number of indicators can't be seen as a single issue and is very much linked with the combined application of GRI's reporting principles and the attitude of a reporting organization towards inclusion of stakeholders. However, reality shows that the existing number of indicators is still widely seen as a burden, especially for SME's. There is a need for more clarifying communication how to approach the *Guidelines* and the GRI Framework. There was also the view that this discussion will change over time when more sector supplements will be available and a software approach is realized.

2.3   Choices

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

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

The GRI *Guidelines* currently give no clarification on how to evaluate performance of organizations that use bits and pieces of the GRI Guidelines – known as an incremental approach. To illustrate, take the example of a company that releases a report using 10 GRI indicators. The audience does not know if this is a good first step, or if the organisation feels they have covered all relevant topics and will not strive to cover further indicators in later years. This leaves many information seekers with the feeling that more clarity for reporting organizations and seekers alike is needed in the next generation of the *Guidelines* so that report quality can better be assessed.

In relation to the concept of incremental reporting many roundtable participants suggested that a series of defined stages and associated targets needs to be developed. This approach would help a reporting organization to progressively improve the quality of its report while also providing clarification for report readers on the intended depth and scope of the report. Such an approach would help to build support internally and would strengthen the vision of performance as a continuous improvement that needs to grow over time. Offering a staggered approach also needs to take into account the specific burdens and needs small and medium sized enterprises have.

Externally, a series of defined stages would help to inform public statements of engagement with the *Guidelines*. Each level should have a corresponding title or statement. Several proposals were made about how to approach a sub-categorization for incremental reporting, amongst them were: using the GRI Content Index concept for incremental reporting; define a "bronze/silver/gold/platinum" classification; sub-categorize each indicator with explicit wording; use balanced scorecard thinking and include green/ yellow red and/or spider web applications; finally, being transparent about the different levels of stakeholder engagement was also mentioned as an option.

Stakeholder dialogue is an essential ingredient for continuous improvement. It helps to shape a reporting organization's approach towards sustainability. However, there is still hesitation to see stakeholder dialogue as both

a necessary and a normal ingredient. Combining a staggered approach of incremental reporting with defined step by step stakeholder dialogue performance can be one way to help make "inclusiveness" a more relevant principle.

"The in accordance requirements and the communication approach towards in accordance need to be re-examined."

The current version of the *Guidelines* offers "*in accordance*" status for reporters that are ready for a high level of reporting and who seek to distinguish themselves as leaders in the field. The conditions for reporting *in accordance* balance comparability and flexibility. Five conditions need to be met, including a CEO or Board statement and the use of explanations for omissions when not reporting on some of the core indicators. At the moment about 25 companies report *in accordance*. Although an increase of that number can be expected for this calendar year the amount of *in accordance* reports is still below 10 percent of all GRI reporters.

It was stated in all roundtables that the understanding about "what *in accordance* really means" differs and is therefore still a difficult concept for reporting organizations and information seekers. This is further complicated by a lack of clarity about how the relationship between stakeholder dialogues, the application of GRI's reporting principles and the use of the indicator set is evaluated for *in accordance* status. There is a communication gap between clarifying the flexibility of the combined approach and a notion of seeing the full indicator set as required. In other words, GRI's current approach that favours *transparency* seems to be sometimes overshadowed by the perception that it demands *completeness*.

In combination with the availability of (more) sector supplements roundtable participants mentioned a combined approach of lowering the number of core indicators in the Guidelines if specific related sector supplement indicators would then be decided on as core for the sector. This could also offer an option of "lowering the bar" for SME's that would make use of the *Guidelines* only. But there were also concerns mentioned because this approach needs a full set of Technical Protocols to be maximized and this brings a risk of making the reporting process more complicated and could in fact, lead to de-harmonization. Any future use of the in accordance status must be communicated with extreme clarity, including how this status fits in with the *Guidelines* alone and with the overall GRI Framework.

Another issue connected with the *in accordance* requirements was whether to make external verification a requirement for *in accordance* (i.e. is a report *in accordance*?). There was more negative response to this proposal in North America, Europe and in the Asia/Pacific region, but other regions seemed to be in favour of such an approach.

Clear signals were sent that GRI needs to avoid a clash between the materiality issue (term mainly used in the UK and the Commonwealth countries)

and the *in accordance* requirements. The *in accordance* status needs to be a clear signal to report readers (especially for the financial community and for NGO's) that a reporting organization has managed to address all material issues and needs to avoid the perception of being prescriptive (as mentioned above).

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

In the past, GRI concentrated work around the design of the *Guidelines* and its associated framework. All roundtables concluded that more guidance from GRI is needed on how to manage the overall process of reporting within a reporting organization. This includes tasks ranging from data gathering, the inclusion of information into Management Information Systems (MIS form the backbone for corporate governance processes and strategy development), procedural guidance on issues from how to best organize stakeholder dialogue to advice about means of reporting. There is also more guidance needed for different user groups on how to use GRI-based reporting information. It was emphasized that GRI should focus on information and capacity building for different user groups (investor community, CSOs/NGOs, trade and labour unions, public authorities) and facilitate good practice exchange for these constituencies as well. Both issues should be better described through a guide or embedded guidance information into the next generation of *Guidelines*. Furthermore it was recommended that GRI should organize a practice information exchange for all aspects of reporting.

A widely discussed option was finding ways to include indicators that describe reporting process performance through the indicator section of the *Guidelines*. Performance indicators on stakeholder dialogue and the level of inclusion into the mainstream MIS were amongst the proposals.

Stakeholder dialogue was an essential discussion focus in all roundtables. GRI was asked to offer specific guidance on different options for stakeholder engagement. This guidance would cover questions such as when to engage, with whom, in what ways (depth of dialogue, from pure information up to involvement in decision making), with what consequences? Discussions also reflected different views on stakeholder dialogue from being a part of an ideal reporting process mechanism up to seeing it as necessary behaviour to assure good overall management quality.

2.4　Credibility

The questionnaire assessment revealed a "changing climate" for external assurance of GRI-based reporting. Two years ago the GRI network was still

undecided about the value of external assurance and emphasized that this must be seen in the context of individual decision making of each company. The majority of participants in the SFP (including a majority from business) seemed to see benefit in external assurance today, both in terms of adding credibility externally and adding benefits internally.

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

The current version of the *Guidelines* gives no clear recommendation on a preferred solution for GRI-based report assurance. External assurance is mentioned as one amongst many different options of assurance. In 2002 the GRI network was not able to gather a clear view that external assurance would be a beneficial element to sustainability reporting. The statistical analysis of the SFP questionnaire showed a changing attitude towards the value of external assurance. Although the questionnaire inquiries were not very specific, about 80% of respondents saw or appreciated external assurance as useful.

The discussions in the roundtables then covered more specific questions and focused mostly on the following topics:

- The differences between auditability, assurance and verification
- The general attitude towards assurance and verification ("praise, don't accuse")
- The auditability of data gathering processes ("data integrity")
- The assurance of the reporting process ("process accuracy")
- The verification of GRI-based reports ("report credibility")
- Making external assurance a requirement for GRI reporting, at least for *in accordance*
- Questions around the qualifications of the assuror and the related cost burden of external assurance
- The ways and timing of inclusion of stakeholders into the assurance process

The roundtables recommended that GRI should come up with more guidance on how to refer to these questions and should also give specific guidance on how best to identify and include stakeholders in the assurance process; also GRI should identify priority issues for report verification.

GRI should stay away from report and verification judgments. This view was shared by all participants of the Structured Feedback Process. However, several roundtables recommended that GRI should seriously consider the accreditation of external assurance providers.

3.   PREPARING FOR A NEXT GENERATION
OF GRI GUIDELINES

The Structured Feedback Process was an invaluable source of inspiration and advice from the GRI network. After approval by the Board of Directors, GRI started with process preparations to actually develop the next generation of GRI *Guidelines*, the process lasted 18 months starting in September 2004. Workstreams covered the issues mentioned in the Structured Feedback Process and helped in developing basic material in the areas of performance indicators, reporting as a process and with regard to the architecture and the linkage with other standards. Cross-cutting aspects have been tackled throughout the whole process, e.g. assurability, clarification of the business case, financial market needs and the cost burden of reporting are amongst those issues. After a first drafting phase extending into mid-2005, a public comment period of 90 days gave all individuals and organizations – all reporting organizations and information seekers – worldwide, a vehicle to submit their thoughts and reflections on how the next generation is shaping up.

Software was mentioned as an interesting and promising second major focus to make reporting easier and to increase the accessibility and assess-ability of report information. Furthermore software can help to deliver GRI's products easily so that they can be understood better. So GRI has started aligning the development of software with the development of the next generation of *Guidelines*.

GRI invites all interested individuals and organizations to take part in this exciting new development. Keep abreast of all new developments and calls for participation through GRI's monthly news update at Internet URL: <http://www.globalreporting.org/news/registernews.asp>.