Guidelines Briefing Part 3: Global Reporting Initiative - An attempt at world domination

Posted by Oliver Balch [1] on Apr 30, 2010

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The model for the Global Reporting Initiative Sustainability Reporting Guidelines originated in the US. One of the guidelines' core aims from the outset has been to help stakeholders benchmark sustainability performance.

After various draft versions, the "full" guidelines came into force in 2000. The latest version is known as generation 3, or G3. More than three-quarters of the world's largest 250 companies now reference GRI in their sustainability reporting. In 2009, more than 1,350 GRI-compliant reports were registered in 65 countries.

A rules-based system, the GRI Guidelines seek to cover the full gamut of triple-bottom-line reporting: social, environmental and economic performance. The guidelines are designed to be applicable to organisations of all sizes, shapes and sectors around the world.

The main guidelines provide a list of so-called core indicators against which reporters must disclose. Alongside these exists a second tier of indicators, representing leading market practice or areas of interest to specific stakeholders. Unlike with the core indicators, reporting institutions are encouraged but not required to respond to these.

GRI is subject to almost constant revision. Its initial reporting criteria have morphed into the Sustainability Reporting Framework, a comprehensive set of instructions. These comprise sector supplements, indicator protocols, the soon-to-be-launched national annexes (reflecting unique country-specific issues), in addition to the reporting guidelines. Each contains reporting principles, guidance and disclosure requirements.

Reporters are obliged to meet three standard disclosures. Most important is an account of the organisation's performance against the core social, environmental and economic criteria. Reporters are also required to provide information on what the organisation actually does and its management approach to sustainability.

At the end of the reporting process, organisations are judged to be compliant or non-compliant with GRI. Compliant companies are given a rating – C, B or A – in ascending levels of performance. Organisations can self-assess their performance or request the GRI secretariat or an independent verifier to provide an assessment.

Such an ambitious and wide-ranging project will never please every stakeholder, but sustained consultation means that GRI is generally seen as credible and trusted.

"GRI's global network of stakeholders (readers, reporters and users) are constantly providing a feedback loop as to the applicability and relevance of the guidelines," says Mike Wallace, director of GRI's Sustainability Reporting Framework.

Effective feedback?

But some stakeholders question just how effective that feedback loop really is. Socially responsible investors feature high among that number.

“GRI was and is a great idea in principle but it has been very slow to adapt to the needs of and suggestions from genuinely supportive mainstream investment folks, not least the focus on materiality,” says Raj Thamotheram, senior adviser for responsible investment at asset management company AXA Investment.

But there are signs this may be changing, Thamotheram concedes. Revisions to the G3 Guidelines will reflect the latest stakeholder commentary on gender, human rights and community responsibility issues, Wallace maintains. The revision is scheduled for completion by early 2011.

An argument can also be made for GRI’s contribution to internal management of non-financial issues. The initiative’s reporting requirements push companies to adopt standardised management procedures across their operations.

“Talking with multiple external stakeholders acts as a kind of proxy advisory services, forewarning organisations about their weaknesses and the risks they face,” says Peter Lacy, managing director of sustainability services at Accenture.

In obliging reporting organisations to collaborate across functions internally, awareness and management processes are enhanced as well. And the act of releasing a report also serves to engage senior management.

“Studies [by investor groups] suggest that companies that have implemented a sustainability programme are financially outperforming their peers,” argues Wallace.

In terms of using GRI as a benchmarking tool, however, the initiative falls some way short. The challenge is not a small one. Companies, for instance, differ hugely and finding comparable commonalities even in the same industry is not straightforward.

Take the example of human resources. Theoretically one employee is the same as another, but complications exist, says Michael Tuffrey, founding director of London-based sustainability reporting specialist Corporate Citizenship. He cites women in management, saying: “The concept of a woman is more or less universal, but how do you define ‘management’?”

The rules-based approach opens GRI to two other potential problems, both related to content. First comes the issue of relevance. Reporters must be seen to answer all the mandatory criteria. How they answer those criteria, however, is often treated as secondary.

Then there is question of length. GRI reports often run to hundreds of pages. This prompts the question: who actually reads them?

The answer is to stick to the most material issues and “not get lost in complexity”, advises Accenture’s Lacy.

“Companies need to be careful … to measure the most important information to their stakeholders that drives their business performance in an integrated way,” he concludes.

Useful links
GRI Current Priorities: www.globalreporting.org/CurrentPriorities [2]
GRI Sector Supplements - www.globalreporting.org/ReportingFramework/SectorSupplements [3]

Links:
[1] http://www.ethicalcorp.com/users/oliver-balch
[2] http://www.globalreporting.org/CurrentPriorities
[3] http://www.globalreporting.org/ReportingFramework/SectorSupplements