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A CRITICAL REVIEW OF GLOBAL REPORTING INITIATIVE (GRI) GUIDELINES FOR SUSTAINABLE COPORATE REPORTING

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ABSTRACT

The corporate sustainability to a large extent rely on the reporting-the sustainable reporting of any corporate unit. The sustainable reporting is dependent on the internationally acceptable principles. For that, Global Reporting Initiative gas evolved reporting guidelines. This work reviews those guidelines for the sake of sustainable corporate reporting.

INTRODUCTION

Companies are the main contributors to economic, social and environmental well-being. Corporate activities are vital in the present and will have serious bearing on the future. Therefore, corporate sustainability is imperative for the long-term sustainable development of the economy and society. The concept of sustainability reporting is of recent origin. Conventionally financial accounting was the tool that aided management control. Since then, management accounting has emerged separately with focus on generating information for management planning, control and decision-making. In the recent years, with emphasis being placed on the ways in which companies match their resources to the needs of the marketplace, it has given rise to the concept of corporate performance management and measurement. The new approach is an integrated one seeking to link strategic management, management accounting and reporting. The reporting contemplated here covers the whole information communication process comprising internal and external stakeholders. Sustainability reporting is a part of the new approach. Sustainability Reporting is a broad term considered synonymous with others used to describe reporting on economic, environmental, and social impacts (e.g. triple bottom line, corporate responsibility reporting, etc.). Sustainability reporting is a practice to measure, disclose, and be accountable to internal and external stakeholders for organisational, environmental, social and economic performance. Sustainability reporting is becoming more prevalent, driven by a growing recognition that sustainability related issues can materially affect a company's performance; demands from various stakeholder groups for increased levels of transparency and disclosure; and the need for companies (and the business community more generally) to appropriately respond to issues of sustainable development. Sustainability reporting is increasingly being recognized as a priority for sustainable development. Paragraph 47 of the outcome document of United Nations Conference on Sustainable Development, 2012 (popularly known as Rio +20) "The Future We Want" states:

"We acknowledge the importance of corporate sustainability reporting and encourage companies, where appropriate, especially publicly listed and large companies, to consider integrating sustainability information into their reporting cycle. We encourage industry, interested governments as well as relevant stakeholders with the support of the UN system, as appropriate, to develop models for best practice and facilitate action for the integration of sustainability reporting, taking into account the experiences of already existing frameworks, and paying particular attention to the needs of developing countries, including for capacity building."

KEY DRIVERS OF SUSTAINABILITY REPORTING

– Regulations. Governments at most levels have stepped up the pressure on corporations to ensure the impact of their operations on the environment. Legislation is becoming more innovative and is covering an ever wider range of activities. The most notable shift has been from voluntary to mandatory sustainability monitoring and reporting.

– Customers. Public opinion and consumer preferences are a more abstract but powerful factor that exerts considerable influence on companies, particularly those that are consumer oriented. Customers significantly influence a company's reputation through their purchasing choices and brand.
– Loyalty. This factor has led firms to provide much more information about the products they produce, the suppliers who produce them, and the product's environmental impact from creation to disposal.
– NGO's and the media. Public reaction comes not just from customers but from advocates and the media, who shape public opinion. Advocacy organisations, if ignored or slighted, can damage brand value.
– Employees. Those who work for a company bring particular pressure to bear on how employers behave; they, too, are concerned citizens beyond their corporate roles.
– Peer pressure from other companies. Each company is part of an industry, with the peer pressures and alliances that go along with it. Matching industry standards for sustainability reporting can be a factor; particularly for those who operate in the same supply chain and have environmental or social standards they expect of their partners. There is a growing trend for large companies to request sustainability information from their suppliers as part of their evaluation criteria. The US retailer Walmart announced an initiative for a worldwide sustainable product index in July 2009. This initiative would create a database across leading retailers to facilitate comparisons of sustainability performance of leading products.
– Companies themselves. Corporations, as public citizens, feel their own pressure to create a credible sustainability policy, with performance measures to back it up, but with an eye on the bottom line as well. Increasingly, stakeholders are demanding explicit sustainability reporting strategies and a proof of the results. So, too, are CEOs, who consider sound social and environmental policies a critical element of corporate success. Companies report that integrated reporting drives them to re-examine processes with an eye towards resource allocation, waste elimination and efficiency improvements. Balancing financial growth, corporate responsibility, shareholder returns and stakeholder demands also leads to an evaluation of the trade-off between short term gains and long-term profits.
– Investors. Increasingly, investors want to know that companies they have targeted have responsible, sustainable, long-term business approaches. Institutional investors and stock exchange CEOs, for example, have moved to request increased sustainability reporting from listed companies, and environmental, social and corporate governance indices have been established such as the Dow Jones Sustainability Index.
– The Carbon Disclosure Project was developed in response to investor demand for a system for firms to measure and report greenhouse gas emissions and climate change strategies as a tool to set reduction targets and set individual goals.

GLOBAL REPORTING INITIATIVE (GRI)

The Sustainability Reporting Guidelines developed by the Global Reporting Initiative (GRI), the Netherlands, is a significant system that integrates sustainability issues in to a frame of reporting.

GRI NETWORK

The Global Reporting Initiative (GRI) is a large multi-stakeholder network of thousands of experts, in dozens of countries worldwide, who participate in GRI's working groups and governance bodies, use the GRI Guidelines to report, access information in GRI-based reports, or contribute to develop the Reporting Framework in other ways – both formally and informally.
What is the purpose of sustainability reporting?
Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development. A sustainability report should provide a balanced and reasonable representation of the sustainability performance of a reporting organization – including both positive and negative contributions. What ever activities a company pursues in order to benefit all the stakeholders (community, suppliers, employees, and all having reasonable interest in the activities of the company).

GRI REPORTING

The GRI Reporting Framework is intended to serve as a generally accepted framework for reporting on an organization's economic, environmental, and social performance. It is designed for use by organizations of any size, sector, or location. It takes into account the practical considerations faced by a diverse range of organizations – from small enterprises to those with extensive and geographically dispersed operations. The GRI Sustainability Reporting Guidelines offer Reporting Principles, Standard Disclosures and an Implementation Manual for the preparation of sustainability reports by organizations, regardless of their size, sector or location.

THE G3.1 GUIDELINES

The Sustainability Reporting Guidelines are the cornerstone of the GRI Sustainability Reporting Framework. GRI recommends that every organization uses the Guidelines as the basis for their sustainability report. The Guidelines outline core content for reporting and are relevant to all organizations regardless of size, sector, or location. The GR1 Guidelines outline a disclosure framework that organizations can voluntarily, flexibly, and incrementally adopt. The GRI Sustainability Reporting Framework is continuously being improved and expanded upon, as knowledge of sustainability issues evolve and the needs of report makers and users change. Since the release, in 2006, of the third generation of the Guidelines - the G3 Guidelines, stakeholder feedback has suggested that more guidance and refinement is needed for certain fields. Based on this response, GRI initiated multi-stakeholder projects in the fields of Community Impacts, Gender, Human Rights and Content & Materiality for incremental updates of the framework, resulting in G3.1. It was launched on 23rd March, 2011. It includes expanded guidance for reporting on Human Rights, Local Community impacts and Gender.

The G3.1 Guidelines are divided into two parts:

– Reporting Principles and Reporting Guidance and

– Standard Disclosures (including performance indicators).

PART 1

REPORTING PRINCIPLES AND GUIDANCE

– Principles to define report content: materiality, stakeholder inclusiveness, sustainability context, and completeness.

– Principles to define report quality: balance, comparability, accuracy, timeliness, reliability, and clarity.

– Guidance on how to set the report boundary. "Reporting Boundary" enables reporting organizations to define the range of entities represented by the report. The Reporting Principles provide guidance to reporting organizations to help them contour the Report Boundaries.

1.1 REPORT CONTENT

In defining the content of the report, the purpose is to achieve a balanced and reasonable presentation of the organisation's performance. This determination should be made by considering both the organisation's purpose and experience, and the reasonable expectations and interests of the organisation's stakeholders. The steps to use the GRI Reporting Framework are as follows:

1. Identify the topics and related indicators that are relevant by undergoing an interactive process using the Principles of materiality and stakeholder inclusiveness, sustainability context, and Report Boundaries.

2. When identifying the topics consider the relevance of all indicator aspects identified in the GRI Guidelines and applicable sector supplements.

3. From the set of relevant topics and indicators, use the tests listed for each Principle to assess which topics and indicators are material.

4. Use the Principles to prioritize selected topics and decide which will be emphasized.

5. The specific methods or processes used for assessing materiality be –

– Differentiated for and indentified by each organization.

– Dependent on the guidance and tests found in the GRI Reporting Principles, and

– Disclosed.

MATERIALITY

Definition: The information in a report should cover topics and indicators that reflect the organisation's significant economic, environmental and social impacts or that which would substantially influence the assessments and decision of stakeholders. Organizations are faced with a wide range of topics on which it could report. Relevant topics and Indicators are those that may reasonably be considered important for reflecting the organization's economic, environmental, and social impacts, or influencing the decisions of stakeholders, and, therefore, potentially merit inclusion in the report. Materiality is the threshold at which an issue or Indicator becomes sufficiently important that it should be reported. Materiality for sustainability reporting is not limited only to those sustainability topics that have significant financial impact on the organization. It also includes considering economic, environmental and social impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations. A combination of internal and external factors should be used to determine whether information is material, including factors such as the organisation's overall mission and competitive strategy, concerns expressed directly by stakeholders and the organisation's influence on upstream (e.g. customers) entities. Assessments of materiality should also take into account the basic expectations expressed in the international standards and agreements.

STAKEHOLDER INCLUSIVENESS

Definition: The reporting organization should identify its stakeholders and explain in its report how it has responded to their reasonable expectations and interests. Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organization's activities, products, and/or services; and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives. This included entities or individuals whose rights under law or international conventions provide them with legitimate claims visà- vis the organization.

Stakeholders can include those who are invested in the organization (e.g., employees, shareholders, suppliers) as well as those who are external to the organization (e.g., communities).

Since the stakeholders for an organization are scattered and there may be variation in their expectation and interest, stakeholder engagement processes can serve as tools for understanding the reasonable expectations and interests of stakeholders. Organizations typically initiate different types of stakeholder engagement as part of their regular activities, which can provide useful inputs for decisions on reporting. The GRI guidance requires organization to document the stakeholder engagement processes. This will make the sustainability report assurable. When stakeholder engagement processes are used for reporting purposes, they should be based on systematic or generally accepted approaches, methodologies, or principles. The overall approach should be sufficiently effective to ensure that stakeholders' information needs are properly understood. Failure to identify and engage with stakeholders is likely to result in reports that are not suitable, and therefore not fully credible, to all the stakeholders.

SUSTAINABILITY CONTEXT

Definition: The report should present the organization's performance in the wider context of sustainability. The idea of sustainability reporting is that how an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental, and social conditions, developments, and trends at the local, regional, or global level. This involves discussing the performance of the organization in the context of the limits and demands placed on environmental or social resources at the sectoral, local, regional or global level. This concept is most articulate in the environmental arena in terms of the global limits on resource use and pollution levels. However, it can also be relevant with respect to social and economic objectives such as national or international socio-economic and sustainable developmental goals. For example, an organization could report on employee wages and social benefit levels in relation to nationwide minimum and medium income levels and the capacity of social safety nets to absorb those in poverty or those living close to the poverty line.

The organisation's own sustainability and business strategy policies provide the context in which to discuss performance. The relationship between sustainability and organizational strategy should be made clear as also the context within which performance is reported.

COMPLETENESS

Definition: Coverage of the material topics and Indicators and definition of the report boundary should be sufficient to reflect significant economic, environmental, and social impacts and enable stakeholders to assess the reporting organization's performance in the reporting period. Completeness primarily encompasses the dimensions of scope, boundary, and time.

'Scope' refers to the range of sustainability topics covered in a report. The sum of the topics and Indicators reported should be sufficient to reflect significant economic, environmental, and social impacts. 'Boundary' refers to the range of entities (e.g., subsidiaries, joint ventures, sub-contractors, etc.) whose performance is represented by the report. 'Time' refers to the need for the selected information to be complete for the time period specified by the report.

1.2 REPORTING PRINCIPLES FOR DEFINING QUALITY

This contains Principles that guide choices on ensuring the quality of reported information, including its proper presentation.

BALANCE

Definition: The report should reflect positive and negative aspects of the organization's performance to enable a reasoned assessment of overall performance. The overall presentation of the report's content should provide an unbiased picture of the reporting organization's performance. The report should avoid selections, omissions, or presentation formats that are reasonably likely to unduly or inappropriately influence a decision or judgment by the report reader.

COMPARABILITY

Definition: Issues and information should be selected, compiled, and reported consistently. Reported information should be presented in a manner that enables stakeholders to analyze changes in the organization's performance over time, and could support analysis relative to other organizations. Comparability is necessary for evaluating performance. Stakeholders using the report should be able to compare information reported on economic, environmental, and social performance against the organization's past performance, its objectives, and, to the degree possible, against the performance of other organizations.

ACCURACY

Definition: The reported information should be sufficiently accurate and detailed for stakeholders to assess the reporting organization's performance.

TIMELINESS

Definition: Reporting occurs on a regular schedule and information is available in time for stakeholders to make informed decisions. The timing of release refers both to the regularity of reporting as well as its proximity to the actual events described in the report.

CLARITY

Definition: Information should be made available in a manner that is understandable and accessible to stakeholders using the report. The report should present information in a way that is understandable, accessible, and usable by the organization's range of stakeholders (whether in print form or through other channels).

RELIABILITY

Definition: Information and processes used in the preparation of a report should be gathered, recorded, compiled, analyzed, and disclosed in a way that could be subject to examination and that establishes the quality and materiality of the information. Stakeholders should have confidence that a report could be checked to establish the veracity of its contents and the extent to which it has appropriately applied Reporting Principles.

REPORTING BOUNDARY

A sustainability report should include in its boundary all entities that generate significant sustainability impacts (actual and potential) and/or all entities over which the reporting organization exercises control or significant influence with regard to financial and operating policies and practices. For the purpose of setting boundaries, the following definitions should apply:

– Control: the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

– Significant influence: the power to participate in the financial and operating policy decisions of the entity but not the power to control those policies.

PART 2: STANDARD DISCLOSURES

There are three different types of disclosures contained in this section.

– Strategy and Profile: Disclosures that set the overall context for understanding organizational performance and includes its strategy and analysis, profile, and governance, commitments & engagement.

– Management Approach: Disclosures that cover how an organization addresses a given set of topics in order to provide context for understanding performance in a specific area.

– Performance Indicators: Indicators that elicit comparable information on the economic, environmental, and social performance of the organization.

FURTHER DEVELOPMENTS

GRI- NEXT GENERATION G4 GUIDELINES

On May 22, 2013 GRI unveiled G4 Guidelines for Sustainability Reporting at its 2013 Global Conference on Sustainability and Reporting. The Guidelines are presented in two parts:

1. Reporting Principles and Standard Disclosures
2. Implementation Manual

THE FIRST PART: Reporting Principles and Standard Disclosures contains Reporting Principles, Standard Disclosures, and the criteria to be applied by an organization to prepare its sustainability report 'in accordance' with the Guidelines. Definitions of key terms are also included.

THE SECOND PART: Implementation Manual contains explanations of how to apply the Reporting Principles, how to prepare the information to be disclosed, and how to interpret the various concepts in the Guidelines.

TRANSITION TO G4 GUIDELINES

Reporting organizations using the G3 or G3.1 Guidelines will need to decide transition to the G4 Guidelines. GRI will continue to recognize reports based on the G3 and G3.1 Guidelines for up to two full reporting cycles. However, GRI indicates that reports published after 31 December 2015 should be prepared in accordance with the G4 Guidelines. GRI recommends that first time reporting organizations use the G4 Guidelines.

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