Modernizing Sustainability Reporting – GRI, G4 and XBRL -

Dr. Nelmara Arbex, Deputy Chief Executive, “Guidance, Support and Innovations area”
GRI: a network organization

- Business
- Academia
- Civil Society
- Governments
- Mediating institutions
- Labor
- Financial markets

Abu Dhabi, March 2012
GRI: a network organization

- Business, Labor, Experts, Report Information Users and Civil Society
- Governance Bodies
- Secretariat, Focal Points and Ambassadors
- Organizational Stakeholders
- Governmental Advisory Group
- Training partners and training participants
- Strategic Alliances

Abu Dhabi, March 2012
The sustainability challenge

How can business be profitable and contribute to solutions at the same time?
Managing change

“What you can’t measure, you cannot manage. What you can’t manage, you cannot change.”

Peter Drucker
Writer, professor and management consultant
GRI Sustainability Reporting Guidelines!
The G3 Guidelines

- Reliability, Accuracy, Timeliness, Clarity, Comparability
  - Balance
  - Materiality
    - Stakeholder Inclusiveness
    - Completeness
    - Sustainability Context

Disclosure on Management Approach and Performance Indicators

- Economic
- Environmental
- Social

Abu Dhabi, March 2012
What is sustainability reporting?

• Disclosure on economic, environmental, social and governance performance

• Multistakeholders focused

• Continuous improvement
How the GRI network does it?
Through a “Due Process”!

Abu Dhabi, March 2012
Are companies using GRI guidance?
GRI reports 1999-2011*

*Sustainability Disclosure Database data from 1 February 2012
Integrated GRI Reporting*
2010 & 2011

2010
- Not integrated: 87%
- Integrated: 13%

2011
- Not integrated: 79%
- Integrated: 21%

*Sustainability Disclosure Database data from 1 February 2012

n = 1913

n = 1267
Future reporting context

- Demand for sustainability performance information is increasing – also from regulators
- Metrics is not coherent/harmonized
- Lack of precision - leads to high reporting and verification costs
- Most reports lack material focus
- Information in pdf of other formats
- Getting prepared to “Integrated Reporting”
G4 Objectives

• to offer guidance in a user-friendly way, beginners and SMEs can easily use the Guidelines
• to improve the technical quality, better definitions
• to align with other frameworks
• to improve guidance on identifying “material” content, also by sectors
• to offer guidance on how to link the sustainability reporting and Integrated Report - aligned IIRC

• Provide a system to tag and find all the data!

Abu Dhabi, March 2012
Preparing XBRL for G4: GRI taxonomy for G3 (G3.1)

In partnership with

Deloitte.

And involving many others

Abu Dhabi, March 2012
GRI Taxonomy development process

Credibility of development process:

- Fully documented architecture
- Quality review by the Taxonomy Review Team (experts from software providers, assurance providers, investors, reporters, standard bodies)
- Public Comment Period
- Aligned with taxonomy development approaches used by financial accounting standard bodies (IASB, FASB and EDINET)

More on Thursday, 11:45 am, Taxonomy Summit, Paul Hulst
Voluntary Filing Program

What?
Showcase of XBRL reports (instances) created

Why?
To help sustainability reporters use the GRI Taxonomy by providing examples and to acknowledge them

For whom?
Organizations that use the GRI Taxonomy

Contact XBRL@GlobalReporting.org

Abu Dhabi, March 2012
G4 timeline

We are here

Text Revision / Editing Task Force

Preparatory Stage
Public Comment Period 1
Working Groups Formed
Working Groups Meet
Public Comment Period 2
Working Groups Meet
Governance Bodies give Final Vote
Final Edit
LAUNCH

GRI XBRL taxonomy and GRI voluntary filling program

Abu Dhabi, March 2012
The sustainability challenge
User-friendly
Robust

G4

Abu Dhabi, March 2012
Harmonized

G4

Abu Dhabi, March 2012
IR-ready

Abu Dhabi, March 2012
Web-enabled

Abu Dhabi, March 2012
G3.1 vs G4

Abu Dhabi, March 2012
GRI's sustainability reporting framework is covered by the GRI Taxonomy

• GRI's sustainability reporting framework:

[Diagram showing the structure of GRI's sustainability reporting framework and its relation to the GRI Taxonomy]
Size of the GRI Taxonomy

<table>
<thead>
<tr>
<th>Extended Link</th>
<th>Number of disclosures in G3 Guidelines</th>
<th>Number of checks in G3 Checklist</th>
<th>Number of concepts in G3 Taxonomy</th>
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<tbody>
<tr>
<td>Content index</td>
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<tr>
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<td>Society category</td>
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</tr>
<tr>
<td>Total</td>
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<td>439</td>
<td>1433</td>
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</tbody>
</table>
The GRI Taxonomy – an example

• GRI’s sustainability reporting framework:

Human Rights

Performance Indicators

Aspect: Investment and Procurement Practices

HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.

HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.

HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.

Aspect: Non-discrimination

HR4 Total number of incidents of discrimination and actions taken.

Aspect: Freedom of Association and Collective Bargaining

HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.

Aspect: Child Labor

HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.

Aspect: Forced and Compulsory Labor

HR7 Operations identified as a risk for incidents of forced labor, and measures to eliminate the risk.

HR8 Percentage of security and human resources personnel trained concerning aspects of human rights relevant to operations.

Aspect: Security Practices

HR9 Total number of incidents involving rights of indigenous people.
Every reportable data element is included in the GRI Taxonomy

•GRI’s sustainability reporting framework:

1. HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.
   1. Relevance
   This measure is one indication of the extent to which human rights are integrated in an organization’s economic decisions. This is particularly relevant for organizations that operate within or are partners in ventures in regions where the protection of human rights is of significant concern. Integrating human rights criteria in screening or including human rights in performance requirements can be part of a strategy to reduce the risks of investment. Problems with an organization’s human rights record can result in reputational damage for the investing organization and can affect the stability of investments.

2. Compilation
   2.1 Count only the agreements that are significant in terms of size or strategic importance. The significance may be determined by the level of approval required within the organization for the investment or other criteria that can be consistently applied to agreements. The reporting organization should disclose the definition of significant agreements.
   2.2 Identify the total number of significant investment agreements finalized during the reporting period that either moved the organization into a position of ownership in another entity or initiated a capital investment project that was material to financial accounts.
   2.3 If multiple significant investment agreements are undertaken with the same partner, the number of the agreements should reflect the number of separate projects undertaken or entities created.
   2.4 Report the total number of significant investment agreements that include human rights clauses or that underwent human rights screening.

3. Definitions
   Human rights clauses
   Specific terms in a written agreement that define minimum expectations of performance with respect to human rights as a requirement for investment.

   Human rights screening
   A formal or documented process that applies a set of human rights performance criteria as one of the factors in determining whether to proceed with an investment.

4. Documentation
   Potential information sources include the reporting organization’s legal, investor relations, and financial departments, as well as documentation collected through quality management systems.

5. References

Every reportable data element has
• a unique tag
• data type definition
• labels, multiple languages and types
• a reference to its location in the GRI Guidelines
## GRI Report as an XBRL instance

### Table 4: Distribution of economic value generated

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<thead>
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<th>Component</th>
<th>€ in millions</th>
<th>Explanation</th>
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</thead>
<tbody>
<tr>
<td>Direct economic value generated</td>
<td>632.7</td>
<td>Net sales plus revenues from financial investments and sales of assets</td>
</tr>
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### XBRL instance

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```
Why GRI is developing the GRI Taxonomy
In cooperation with Deloitte Netherlands.

Credibility of development process:
- Fully documented architecture
- Quality review by the Taxonomy Review Team (experts from software providers, assurance providers, investors, reporters, standard bodies)
- Public Comment Period
- Aligned with taxonomy development approaches used by financial accounting standard bodies (IASB, FASB and EDINET)
How to use the GRI Taxonomy
How GRI Taxonomy adds value to the reporting process

- Easy access to **timely reliable, and comparable** data
- **Automatic generation** of the report
- Quickly generate **data template** for different stakeholder conversations
- Mapped data source with **clear definition**
- Data in **comparable** format
- Data in **measurable** format
- **Complete overview** of data availability
How to get started

1. **Understand**
   - Obtain knowledge of XBRL
   - Select XBRL software tool(s)
   - Understand the GRI Taxonomy
   - Map sustainability report to the GRI Taxonomy

2. **Tag**
   - Tag content index to the GRI Taxonomy
   - Tag facts and statements in the sustainability report to the GRI taxonomy

3. **Submit**
   - Review and validate instance document
   - Submit XBRL report to GRI
Reporting process with the Voluntary Filing Program

Diagram:
- Reporters
- Reporting Framework
- Taxonomy
- Instance file
- GRI Voluntary Filing Program
- Data consumers
### Participants by region & constituency groups

<table>
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<tr>
<th>Region &amp; Constituency</th>
<th>Business</th>
<th>Civil Society Organization</th>
<th>Financial Markets &amp; Information Users</th>
<th>Labor</th>
<th>Mediating Institution</th>
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Amsterdam, March 2012
Focus for profound revisions

- Disclosure of management approach
- Governance and ethics
- Boundary
- Minimum level of disclosure required
- Supply Chain

Revision - topics: Biodiversity, GHG, H&S, Corruption, among many others

And... more on material topics per sector!
Support publications

- Topics
- Reporting practices
- Tools
Linkage documents

• Guidance for using GRI Sustainability Reporting Framework in combination with other frameworks

• UNGC, ISO26000, CDP, Earth Charter
Learning Series

• Starting points
• Pathways
• Explorations

Venue, Date
G4 PCP - Participants

Total 1834

Constituency Breakdown
- Mediating Institution: 57%
- Business: 29%
- Civil Society Organization: 9%
- Financial Markets & Information Users: 4%
- Labor: 1%

Regional Breakdown
- Europe: 41%
- Latin America: 19%
- Asia: 17%
- Northern America: 15%
- Oceania: 5%
- Africa: 3%

Confidential
## Participants by reporting relationship

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<th>Total</th>
<th>Africa</th>
<th>Asia</th>
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<td>16</td>
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<td>23</td>
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</table>
## Participants by region & constituency groups - %

<table>
<thead>
<tr>
<th>Region</th>
<th>Business</th>
<th>Civil Society Organization</th>
<th>Financial Markets &amp; Information Users</th>
<th>Labor</th>
<th>Mediating Institution</th>
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<tbody>
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<td><strong>9.05</strong></td>
<td><strong>4.31</strong></td>
<td><strong>0.65</strong></td>
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<td><strong>3.54</strong></td>
<td><strong>5.45</strong></td>
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</tbody>
</table>
Main findings - for G4 next steps

Strong indications - from all participants:

1. Which elements stakeholders would like to see covered as a minimum in a sustainability report - Q10 (1714), see p. 11 of report
2. GRI - not regulators or others - and the reporting organization should define the topics to be covered in a report - Q12 (1727), see p. 13 of report
3. GRI should define and require a set of topics and indicators per sector - Q16 (1715), Q17 (1407), Q13 (879), see p. 16 of report
4. GRI G4 should offer guidance on how to link sustainability reporting and IR - Q20 (1693), see p. 19 of report
5. Other topics – top 6: Business Ethics, Greenhouse Gas Emissions, Eco-Innovation, Life Cycle Assessment, Water, Biodiversity, - Q22 (1683), see p. 20 of report
Main findings - for G4 next steps

Strong indications - from reporters:

1. The report format of the future evolves from a Sustainability Report today to an Integrated Report, over a 3-10 year transition - Q9 (732), see p. 9 of report
2. The breakdown by region and by stakeholder group show convergence around the main 5 reasons for reporting - Q8 (738), see p. 8 of report
Main findings - for G4 next steps

Other important highlights

1. Civil society and labor indicate that they believe GRI should define a set of topics for all organizations, not by sector only.

2. The choice of “report elements to be covered as a minimum” shows coherence throughout the stakeholder groups and regions (strategy overview, material impacts, risks, material indicators) with small divergence (2 items for labor and 2 items for financial market) – Q10.

3. The survey attracted an important number of opinion makers. E.g. from labor: AFL-CIO, from north America; Council of Global Unions, ITF, TUAC-OECD from Europe (see the list of participating organizations).
Agenda Point 2b – G4 projects

• G4 work streams – in the Reporting Guidelines
  » Technical improvements and quality
  » New content and profound revisions (WG)
  » Harmonization
  » Sector Guidance

• related strategic content production
  » Linkage between IIRC framework and GRI
  » Materiality – from different stakeholders perspective
  » Auditing – best practices
Speakers

• Nelmara Arbex
  – Deputy Chief Executive
  – GRI Taxonomy Project Lead for GRI

• Elina Sviklina
  – Manager Report Services
  – GRI Taxonomy Project member

• Paul Hulst
  – XBRL team member Innovation
  – GRI Taxonomy Project member
GRI Taxonomy: summary

• GRI Taxonomy enables sustainability reporters to use XBRL

• GRI is developing the GRI Taxonomy to make it easier for report users to find and analyze sustainability information

• GRI Taxonomy adds value to the reporting cycle

• Reporters are invited participate in the Voluntary Filing Program

Questions?
# Sustainability Disclosure Database

## January 2012 Usage Stats

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<td>126960 (16.04 Pages/Visit)</td>
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<td>53.05 MB</td>
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</table>

* *
GRI Reporting by Guidelines*
2011

- GRI - G3: 92%
- GRI - G3.1: 8%

n = 1279

*Sustainability Disclosure Database data from 1 February 2012
GRI Reporting by Application Level*
2010 & 2011

2010

2011

*Sustainability Disclosure Database data from 1 February 2012

n = 1911

n = 1266
Application Level Declaration by GRI Report Type*
2011

*Sustainability Disclosure Database data from 1 February 2012

n = 1106
n = 105
GRI Reporting by Application Level Declaration Status*
2010 & 2011

2010

- GRI-checked: 32%
- Third-party-checked: 29%
- Self-declared: 39%

n = 1503

2011

- GRI-checked: 52%
- Third-party-checked: 17%
- Self-declared: 31%

n = 1283

*Sustainability Disclosure Database data from 1 February 2012
Application Level Declaration by Status*

2010 & 2011

*Sustainability Disclosure Database data from 1 February 2012
Linkages to Other Initiatives*  
2011

No linkages to other initiatives  Link to at least 1 other initiative

UNGC

Not referenced  Referenced

CDP

ISO 26000

*Sustainability Disclosure Database data from 1 February 2012
GRI Reporting by Sector*
2010 & 2011

*Sustainability Disclosure Database data from 1 February 2012
GRI Reporting by Supplement Use*
2011

*Sustainability Disclosure Database data from 16 January 2012

- Financial Services: n = 146
- Electric Utilities*: n = 64
- Mining and Metals: n = 48
- Food Processing: n = 46
- NGO: n = 26

Reports from sector (not using SS)
Reports for sector using SS
GRI Reporting by Organization Type*
2011

*Sustainability Disclosure Database data from 1 February 2012

n = 1033