Exploring the Global Reporting Initiative Guidelines as a model for triple bottom-line reporting

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Exploring the Global Reporting Initiative Guidelines as a model for triple bottom-line reporting

By Laura P. Hartman,* Mollie Painter-Morland†

Abstract:

The paper provides an overview of the multitude of initiatives aimed at standardizing corporate social responsibility efforts on a global scale. It describes the evolution of social and environmental reporting and explores that which distinguishes the Global Reporting Initiative (GRI) from other international initiatives. By evaluating GRI’s goals and the claims that it makes, the paper seeks to provide an overview of the strengths and weaknesses of this critical initiative. The paper includes a discussion of changes and new strategies that GRI is proposing as part of its recently introduced G3 Guidelines. The authors contend that, despite certain remaining challenges, GRI has much to offer a stakeholder community that has for many decades been starved of quality, measurable and accountable corporate social information presented in an accessible and understandable format.

Keywords: corporate social responsibility (CSR); social and environmental reporting; triple bottom-line reporting

Introduction

Formal efforts at standardized corporate responsibility reporting began in the early 1990s. In 1991, seven companies had published sustainability reports and much of the reports’ focus was on the environment. The reporting trend has since transformed itself, addressing not only environmental issues, but also economic and social performance, now also referred to as the “triple bottom-line.” Since that time, the number of corporations documenting their social behavior has exploded into a global legion and the number of standards and initiatives against which these reports can be judged has topped 200 (UN Commission on Human Rights, 2005). As of October 2005, 714 firms report in accordance with or with reference to the Global Reporting Initiative; and more than 2,500 firms worldwide publish some type of stand-alone report on citizenship, sustainability, environmental and/or social concerns. (White, 2005; Layzer Sherwood, 2006). White (2005, p. 3) draws two critical conclusions from his research on non-financial reporting: “markets are using reporting practices as a proxy for quality of management; and, second, markets are beginning to reward disclosure practices that reach beyond the narrow confines of conventional financial reporting.” As a result, reporting practices have evolved from

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forced transparency, where firms report only as a reaction to pressure or crises, to active transparency, where firms report based on strategic objectives.

As the number of companies adopting corporate social reports have grown, so too have the number of initiatives aimed at standardization dealing with the topic of international corporate behavior. Business leaders, even after acknowledging the importance of corporate social reporting, have found themselves in a situation where the simple presence of a governance committee and a corporate social report is no longer good enough. After all, Enron received accolades in corporate governance and corporate citizenship; something vital was clearly missing. Accountability, credibility, and transparency are now all practically a necessity in the company’s social reporting procedure. These voluntary standardization or reporting initiatives are considered credible and authentic because of their association with reputable international organizations and agencies, despite the absence of formal regulatory schemes. Each of the initiatives shares a common mission: to promote an economic environment where smart, sustainable development and good corporate citizenship coexist. Collectively, the global initiatives discussed below are at the forefront in addressing corporate responsibility, and developing practices and codes of conduct that will promote sustainable development and corporate citizenship. However, a number of issues do exist or have yet to be addressed.

Social reporting, also called triple bottom-line reporting or sustainability reporting, is not only an emerging phenomenon for business practitioners; it has only recently started to appear on the agenda of academic business ethics conferences and is not yet a concept with which many management theorists are well acquainted, nor has it been fully integrated into business ethics as academic discipline. There remains therefore a clear need for rigorous interrogation of the notion of the triple bottom-line and its reporting, as well as a detailed analysis of the performance indicators that are proposed by triple bottom-line reporting models.

One of the most well-known and commonly utilized triple bottom-line reporting models is the Global Reporting Initiative (GRI) Guidelines. The GRI’s specific goals, as stated in their Guidelines document, are to offer report formats to account for sustainability; to assist corporations in presenting a balanced picture of their organization to stakeholders; to promote the comparability of corporate sustainability reports; to stimulate benchmarking and the verifiable assessment of sustainability performance; and to facilitate stakeholder engagement.
The purpose of our current examination is to provide a concise review of the GRI Guidelines. We will begin with a global perspective on social and environmental reporting around the globe, focusing on a comparative analysis of the various standardization and reporting methods. The issues that will be addressed include the possibility of or even desire toward conflict resolution between initiatives; the level of enforcement, if any, at the local, national or international levels; and discrimination against smaller firms because of the high costs associated with initiatives. Beyond articulated problems associated with the actual initiatives, skepticism exists amongst the general public with respect to the social reports, themselves. Critics ask whether the social reports are credible, relevant, and effective, especially now when every corporation seems to have one? Are social reports a fad trying to lure shareholders back into the market? Are the organizations, themselves, even credible? At a time where corporations are perhaps considered suspect, is corporate social reporting leading the charge in freeing businesses’ tainted image?

The second section of our discussion addresses the GRI Guidelines’ suggested reporting structure, analyzes the limitations of the report in the area of ethics management and organizational culture, and comments on the ethical implications of the current focus of the Guidelines. Triple bottom-line reporting can significantly increase the potential for a balanced picture of corporations’ activities and furtherance of the kind of knowledge and insight that could enhance stakeholder trust and improve corporate reputation. The satisfaction of this potential, though, remains a contended conclusion among critics. These contentions are not necessarily based on an argument that the triple bottom line is not important or indeed without impact, but are instead based on contentions that some social and environmental impacts and results may not be quantifiable in a manner similar to an economic measurement and that the measurement of these areas are not common from firm to firm and therefore simply not comparable. (MacDonald, 2005) We will discuss these challenges in our analysis of social reporting mechanisms.

I. The Evolution of Global Social and Environmental Reporting

There are a variety of options available to firms in connection with reporting related to social and environmental issues. This topic is all the more important these days as we move from a unique occurrence where a firm shares information with regard to social and environmental issues to a quasi-regulatory environment that arose in the mid-1990s where firms produce reports pursuant
to generally accepted principles. In Fall, 2002, PricewaterhouseCoopers reported the results of a survey evidencing that two-thirds of multinationals in Europe and 41% in the United States provide information on their “triple bottom line” performance – economic, social and environmental performance. In addition, the French Parliament enacted a law in France in March, 2002, that required all French corporations listed on the Paris Stock Exchange to report on the sustainability of their social and environmental performance. Moreover, a 2004 report found that there has been a vast improvement in the quality of non-financial reporting in the past several years. (Standard & Poor’s, 2004).

Context (UK) conducted an analysis in 2005 of the reporting practices of the largest 100 US companies on the S&P500 Index (“US 100”) in comparison with the FTSE Eurofirst 100 Index (“Euro 100”). (Context: 2005). Of their key findings, they reported that, while only 36% of the US 100 report on environmental and social performance, 84% of the Euro 100 do so. While only 2% of the US 100 provide independent outside audits of their reports, 52% of the Euro 100 do so. (See figure 1.)

Figure 1: Context Key Findings

<table>
<thead>
<tr>
<th>Number of companies that:</th>
<th>Euro 100</th>
<th>US 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report</td>
<td>87</td>
<td>45</td>
</tr>
<tr>
<td>Report environmental and social performance</td>
<td>84</td>
<td>36</td>
</tr>
<tr>
<td>Report environmental performance</td>
<td>87</td>
<td>43</td>
</tr>
<tr>
<td>Reporting social and ethical performance</td>
<td>84</td>
<td>38</td>
</tr>
<tr>
<td>Cover supply-chain issues</td>
<td>64</td>
<td>27</td>
</tr>
<tr>
<td>Cover human rights</td>
<td>43</td>
<td>7</td>
</tr>
<tr>
<td>Include stakeholder comments</td>
<td>25</td>
<td>9</td>
</tr>
<tr>
<td>Have independent assurance</td>
<td>52</td>
<td>2</td>
</tr>
<tr>
<td>Are reporting for the first time this year</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Report on the web only</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>
Firms are engaging in this voluntary reporting process for a variety of reasons. The benefits to a transparent organization include a positive impact on reputation, enhanced shareholder relations, clearer and more transparent corporate governance, greater trust within the investment community. In fact, research evidences a positive correlation between reporting and lower price volatility, higher operating profits and revenue growth. (Linstock Consultants, 2004).

Notwithstanding an increase in reporting itself, there is no one structure or group of topics for corporate social reporting. For instance, though some elements of a report are mandatory pursuant to regulations, such as corporate charitable contributions, pension fund adequacy, employee share ownership schemes and employment data, other information is not otherwise required to be disclosed in the United States. This additional information may include energy savings, consumer protection efforts, product safety, health and safety efforts beyond OSHA, employee training, vendor agreements or codes of conduct, mission statements and/or statements of social responsibility.

Proposals for mandatory reporting processes abound. The European Parliament recommended in 2002 that a mandatory scheme of reporting be developed. As that did not progress, the Commission is now preparing to launch a comparative database of CSR reports that also includes a list of those firms that have opted not to report, with an eye toward a deterrent effect. Klein, et al., reports that 30% of respondents (comprised of a variety of global corporate stakeholders) believe that reporting should be mandatory for companies beyond a certain size, while almost 25% believe it should be mandatory for all companies. (Klein, et al., 2005)

A broad compendium of global initiatives has emerged, including principles and standards designed to stimulate change and to promote good corporate citizenship and encourage innovative solutions and partnerships. There are now over 300 sources of corporate
responsibility tools worldwide. (Goel, 2005, p. 3). These standards may be promulgated by international inter-governmental organizations (such as the ILO or OECD), by a particular government, by a private certification agency, by financial organizations (such as the FTSE4Good Index), or by other voluntary associations. Several organizations have created processes, standardized reporting structures, management systems or normative frameworks in order to assist organizations in quantifying their social reporting as well as in creating benchmark data against which they can gauge their activities and decisions. Though many of these are industry specific (such as the Clean Clothes Campaign), others apply cross-industry. The organizations and structures include, among many others (Euractiv, 2005):

- Global Reporting Initiative
- Global Sullivan Principles
- Social Accountability International 8000
- UN Global Compact
- OECD Guidelines for Multinational Enterprises and Principles of Corporate Governance
- International Labor Organization Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and other conventions
- AA1000
- ISO 14000
- United Nations Declarations on Human Rights
- Voluntary Principles on Security and Human Rights (US/UK governments)
- United Nationals Norms on the Responsibilities of Transnational Corporations and other Business Enterprises with Regard to Human Rights
- Fair Labor Association Model Code of Conduct
- Workers Rights Consortium Model Code of Conduct
- Ethical Trading Initiative
- Clean Clothes Campaign Model Code
- Eco-Management and Audit Scheme
- International Chamber of Commerce Business Charter for Sustainable Development
- Rio Declaration on Environment and Development
- Coalition for Environmentally Responsible Economies Principles
- Natural Step Principles
In order to highlight the differences between and among the various structures, we will explore several in detail, and then discuss the GRI, in particular, in section II. Though research demonstrates that the GRI is one of the primary ways in which firms select the content of their corporate responsibility reports (40% of the G250), other standards and principles are persuasive, as well, with the Global Compact serving as the most prevalent source of principles mentioned. (University of Amsterdam and KPMG Global Sustainability Services, 2005). Each of the initiatives discussed below shares a common mission: to promote an economic environment where sustainable development and good corporate citizenship coexist and are considered credible and authentic because of their association with reputable international organizations and agencies, despite the absence of formal regulatory schemes. (McIntosh et al., 2003, p. 22). In fact, a 2005 report by Pleon found that credibility in reporting is achieved through two methods, external verification and following the GRI guidelines. The analysis found that 60% of global stakeholders, including 71% of investors prefer that CSR reports be verified externally (up from 48% in 2003). (Klein et al., 2005).

**Global Sullivan Principles**

As opposed to the auditable framework of the GRI, discussed below, the Global Sullivan Principles comprises a set of internal ethical business operating principles. Conceived in 1977 and inaugurated by the United Nations in 1999, The Sullivan Principles were the brainchild of late Reverend Leon Sullivan. The Global Sullivan Principles have a tripartite structure that includes corporations, higher education, and civic involvement. This tripartite initiative exemplifies Rev. Sullivan’s commitment to ethical conduct, which, he believed, is not limited to businesses alone - instead it is the responsibility of the entire community. However, because the Global Sullivan Principles omit the right to freedom of association as a core labor standard, the Principles lack support from the labor organization community. (McIntosh et al., 2003, p. 25). One area of distinction from other standards and reporting mechanisms and perhaps as a result of...
the social environment which gave birth to them is that the Principles encourage firms “to violate an unjust law.” (Leipziger, 2003, p. 69). The Principles have been criticized for its lack of any verification system. Currently, almost 200 companies, including public sector and religious organizations, subscribe to the Global Sullivan Principles, the vast majority of signatories are within the United States.

**Social Accountability 8000**

Created in 1997 by the Social Accountability Institute (SAI), a not-for-profit, nongovernmental organization, and the Council on Economic Priorities (CEP), Social Accountability 8000 (SA8000) is a uniform and auditable standard based on a commitment to establishing a cross-industry standard for workplace conditions and independent verification. This independent verification allows the standard to be implanted in any nation and within any industry of any size, and its monitoring arm, the Council on Economic Priorities Accreditation Agency (CEPAA). The SA8000 focuses on the core labor rights of the ILO Conventions, the International Declaration of Human Rights and the UN Convention on the Rights of the Child, addressing key issues such as child labor, compulsory labor, health and safety, freedom of association, increased educational attainment for employees, discrimination, and working hours and wages. It applies to manufacturers and suppliers but retailers can also adhere to it. The auditing process is required every three years and includes minimum performance requirements, employee interviews, as well as an open complaints and appeals system. Presently, there are more than 226 companies in 31 countries that have SA8000 certifications. However, only 1% is from the U.S. while 23% is from the European Union. (McIntosh, 2003, p. 26; Tschopp, 2003).

**United Nations Global Compact**

On January 31, 1999, United Nations Secretary General Kofi Annan presented to The World Economic Forum at Davos his proposal for a Global Compact. On July 26, 2000, Kofi Annan’s vision was set into action. The Secretary General’s Global Compact made the issue of corporate social responsibility paramount, challenging business leaders around the world to take part in the global initiative. The Global Compact is comprised of ten principles, surrounding the issues of human rights, labor standards, and environment (the relatively new tenth principle, adopted in 2004, addresses corruption). Participating companies must publish annual reports and display on
their websites specific examples of how they put the Global Compact principles into practice. The GRI contends that it provides the best tool for meeting this requirement and even provides a downloadable tool matching each Global Compact principle with appropriate GRI indicators in order to allow organizations to report on their progress. (Global Reporting Initiative, undated-d).

Like some of the other initiatives, the Global Compact is voluntary and has no enforcement arm. However, beginning in 2004, a process was established where complaints can be filed against a company for failure to comply with the principles. After efforts to resolve the matter, the Global Compact office may opt to remove the company from the list of those in compliance. The initiative’s openness is designed “to stimulate and to promote good corporate citizenship and encourage innovative solutions and partnerships.” (UN Global Compact, 2004). Its openness was also designed to carry out the Global Compact’s two objectives: (1) incorporate the Global Compact and its ten principles into a business’s strategy and operations; (2) facilitate a partnership among key stakeholders and promote partnerships in support of U.N. goals. (UN Global Compact, 2005). The United Nations’ reputation and moral authority is one the reasons why more than 2,270 companies and cities from 80 countries have adopted the Global Compact, though very few US-based firms have done so. (Goel, 2005, p. 83). Critics contend that the principles remain too vague and, without external verification mechanisms, allow companies too easily to claim compliance.

**OECD Guidelines for Multinational Enterprises**

The Organization for Economic Cooperation and Development is a forum of 30 member and 8 non-member countries whose mission is to encourage sustainable business practices and “to improve the fit between business and society by clarifying the rights and responsibilities of governments and enterprises in the area of international business.” (Global Reporting Initiative, undated-c). First established in 1976, revised in 2000, and affirmed by the G8 in 2003, the OECD Guidelines for Multinational Enterprises “is the only comprehensive code of conduct agreed to by multiple nations,” addressing issues like disclosure of material information, employment relations, consumer interests, competition, science and technology diffusion, and environmental management.

The Guidelines are unique in that they adopt local practices instead of international-agreed standards (a source of some criticism both on its face for abandoning international agreements
and for a minimalist approach), and that each OECD country has a contact point, serving as a form of customer service. In the five years between their revision and 2005, the OECD received over 100 complaints to the National Contact Points from NGOs and trade unions. (Feeney, 2005, p. 5) Similar to the ILO conventions, the OECD Guidelines for MNEs are intended for governmental commitment, making it all the more difficult to hold companies directly accountable. At the moment, 34 governments have signed on to these operating principles. The GRI also provides guidance on how its reporting format supports the OECD Guidelines by matching each guideline to specific performance indicators.

**International Labor Organization Conventions**

The International Labor Organization (ILO) is the oldest of the UN agencies. Like the Global Sullivan Principles, the ILO is a tripartite structure, composed of government, labor and employers’ organization. The ILO’s tripartite structure, coupled with its early establishment, enhances the credibility of the organization as well as its conventions. The three-tiered system does, however, create a quite lengthy and arduous decision-making process. And, like the other global initiatives, the ILO conventions have a weakness when it comes to enforcement and implementation. The International Labor Organization has enacted more than 180 Conventions throughout its history, addressing a wide range of labor issues (such as its Declaration on Fundamental Principles and Rights to Work, supported by eight related conventions and endorsed by the G8 in 2003), including the freedom of association, prohibition of compulsory labor, prohibition of child labor, employment of disabled persons, equal remuneration/equal work, and health and safety. The Conventions’ positive elements - international reach, history, and tripartite structure - give it credibility in addressing the topic of social reporting. The most far-reaching statement from the ILO to the issues discussed above is the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. Adopted in 1977, the Declaration offers direction to MNCs as well as domestic firms with regard to employment, training, conditions of work and industrial relations.

**AA1000 Assurance Standard and AA1000 Series**

The AccountAbility 1000 Series, developed in 1999, concentrates on improving the accountability and overall performance of organizations by way of increasing the quality of
social and ethical accounting, auditing, reporting. This global initiative is overseen by the Institute of Social and Ethical AccountAbility, an international, not-for-profit, professional institute dedicated to the promotion of social, ethical and overall organizational accountability, as well as members from business (profit and nonprofit), academic and consultant groups. Developed by its International Council, the AA1000 is the first systematic stakeholder-based approach to address institutional accountability and performance enhancement. The AA1000 has evolved into the AA1000 Series (AA1000s), which is an extension to the AA1000 Framework, a standard engineered to improve accountability and performance by “learning through stakeholder engagement.” (AccountAbility, undated). Though it does not specify the subject of anticipated reports, the AA1000s provides comprehensive outlines and guidelines for stakeholder engagement, supporting social, ethical, and environmental accountability systems. Unveiled in 2002, the Assurance Standard (which has as its focus strengthening the credibility of social and sustainability reporting) was the first addition to the AA1000 Framework. The AA1000 Assurance Standard compliments the GRI in that it provides an outline for independent third parties to assure and audit sustainability reporting. It is utilized by over 100 organizations. At press time, AccountAbility was developing two other modules; one with an emphasis on risk and the other with a focus on measuring and communicating the quality of stakeholder engagement. While the scope of the GRI includes economic, environmental, and social performance, and public reporting, the scope of the AA1000 is social and ethical accounting, auditing, and reporting, stakeholder dialogue and accountability, and quality assurance. Though both emphasize satisfying the information and decision-making needs of a full range of stakeholder groups, the AA1000 is based on accountability principles and the process of social accounting and stakeholder engagement, while GRI is a disclosure framework based on reporting principles, characteristics, and indicators.

ISO 14001
Developed in 1996 by the International Organization for Standardization in Geneva, Switzerland (representing 148 member countries), the ISO 14000 series is a voluntary initiative that places an emphasis on environmental management standards and operations (i.e., management systems, auditing, labeling, performance evaluation, life cycle assessment). Its core mission is to provide voluntary environmental management standards to enhance companies’ ability to manage
environmental impacts and risks, and to improve environmental performance. The 14000 Series' commitment to the improvement of the corporate environmental atmosphere - management systems, auditing, performance evaluation, life cycle, etc. - is what distinguishes this initiative from others mentioned above. The standards promote continual improvement without specifying actual standards of performance.

Unlike the SA8000, the 14000 series was first developed at a national level before expanding internationally. The key stakeholders for the ISO 14000 series are the standard-creating organizations within the ISO member community, but also include environmental NGOs, professional, research, governmental and other nonprofit institutions. The ISO series includes a number of standards; those that deal directly with external reporting include the ISO 14001 (which is the model adopted by organizations for their environmental management system), the ISO 14004 (which extends the definition of environmental management systems to include a general framework for external auditing); and the ISO 14031 (a process by which companies can assess and report on their environmental behavior). Organizations are subject to independent verification every three years in order to retain certification. The ISO’s greatest attribute is its development of management systems, which is why more than 50,000 facilities subscribe to the standards in 118 countries; however, due to the Series’ substantial implementation cost ($25,000 to $128,000), it is difficult for small and mid-size companies to adopt and implement. (Goel, 2005; McIntosh et al., 2003).

Collectively, these global initiatives are at the forefront in addressing corporate responsibility, and developing practices and codes of conduct that will promote sustainable development and corporate citizenship. They are not without criticism, however; the structures described above have limitations in connection with the economic reporting dimension, among others. They tend to confuse the financial (the market valuation of a firm’s transactions) and the economic indicators (activities beyond the perimeter of the firm, considering externalities including other stakeholders); and they do not often define their stakeholder groups so impact is immeasurable. (Monaghan and Weiser, 2003).

II. The Global Reporting Initiative

What sets GRI apart from these other international initiatives?
The Global Reporting Initiative contends that the contours of “a coherent international Corporate Responsibility management framework” are emerging. In this new environment, the GRI is committed to establishing synergies between the various codes, management standards, performance standards and assurance mechanisms that already exist (as discussed above). (Global Reporting Initiative, 2002b). The GRI seeks to complement these initiatives rather than to reinvent the wheel by establishing links between its reporting structure and the principles, codes and performance standards. It went to great lengths assist organizations in displaying their commitment to, for instance, the Global Compact and ISO standards through its GRI report (*For the GRI’s analysis of its interaction with other initiatives, see Appendix A*).

The benefits of establishing a reporting model, rather than a code that provides companies with mere aspirational guidelines, are evident. A reporting model provides organizations with the opportunity to display their commitment to certain principles by showing that in very real terms, they are “walking the talk.” In addition, a reporting model allows organizations to present their achievements in a way that facilitates effective interaction with multiple stakeholder constituencies. What makes the emphasis on sustainability reporting so important from a business ethics point of view is that it establishes new measures of corporate success and, as such, requires a complete change of corporate mindsets. In recent years, the focus of shareholder attention has shifted from concern for short-term profitability to a preoccupation with the longer-term sustainability of a company. Sustainability is defined as “the ability of the company to meet and serve current needs without compromising the ability of future generations to meet their own needs.” (World Commission on Environment and Development, 2006). As a result, stakeholders who are interested in establishing the sustainable value of a certain company have become interested in more than just the financial bottom-line, hence the current emphasis on an organization’s economic, social and environmental performance.

Sustainability reporting therefore constitutes a set of new rules in the game of business. For a company to survive and thrive in a changing environment, it requires a new generation of leadership skills that will understand that business success lies in the ability reflect sustainability concerns in every aspect of everyday business. Instead of considering sustainability and ethical concerns as “soft issues”, nice-to-have add-ons to business life as usual, a company that is truly committed to sustainability will reflect this concern in every aspect of its corporate life and identity - from its vision and mission statements through its supply chain and production
processes, to the way it markets its products or service or deals with its customers. The GRI strives to assist organizations in demonstrating to stakeholders their success in this pursuit.

**Important claims of the Global Reporting Initiative**

The GRI is an independent, international institution whose mission is to develop, promote, and disseminate globally applicable guidelines for sustainability reporting. Though the GRI claims to have maintained its “independent” status, it is interesting to note that there have been changes in how the GRI is funded that might impact the perception of independence. Whereas it was originally a foundation-funded initiative, it has since introduced the notion of “organizational stakeholders,” i.e. corporations who contribute financially. The GRI’s business plan explains that this modification was introduced as an effort to diversify their income streams and establish financial sustainability. It does, however, maintain that it remains independent since its Board, with support from its Stakeholder Council and Technical Advisory Council, retains final decision-making authority.

The GRI’s 2002 Guidelines document acknowledges that “sustainability reporting” is a broad term, synonymous with other terms that are used to describe accounting for economic, social and environmental impacts, like triple bottom-line or corporate responsibility reporting. The GRI allows organizations to submit sustainability reports under many different titles, such as Corporate Responsibility Report, Report to society, Social and Environmental Report, Sustainability Report, and others.

The GRI claims to enable the kind of transparency that has increasingly become the expected norm in stakeholder relations, investment decisions, and other market relations. In order to foster this kind of transparency, GRI endeavors to provide “a globally shared and widely understood framework of concepts, consistent language and agreed metrics for communicating clearly and transparently about sustainability,” allowing for extensive benchmarking and comparative analyses of company performance. (Global Reporting Initiative, 2005). Furthermore, it provides a framework within which organizations may demonstrate how well they are doing from a sustainability point of view, an invaluable asset in reputational terms. If the GRI succeeds in these pursuits, it will be no mean feat. Before one becomes too optimistic, however, one must be clear on exactly that which the GRI requires and what is included in this “globally shared and widely understood framework.”
The GRI Guidelines have come a long way since its inception in 1997. As should be the case in all healthy organizations, the Guidelines display growth and change. Through intensive stakeholder interaction, the 2002 GRI Guidelines have evolved into what is tentatively called G3, a draft version of the third generation of Sustainability Reporting Guidelines, which was available for public comment from January 2006 through March 2006. Though the goal of this paper is not to reflect on the detail of the differences between the 2002 Guidelines and G3, some mention will be made of what appears to be the most significant changes to the GRI approach.

The 2002 Guidelines only made provision for incremental versus in accordance reporting, defining the difference between these two options as follows: “The first begins with partial adherence to the various parts of the GRI Guidelines and incrementally moves to fuller adoption, while the latter is defined by adherence to a set of five conditions for reporting against the Guidelines.” (Global Reporting Initiative, 2006). The G3 document envisages a system that allows organizations to be more specific about the level of their compliance with the GRI’s standards. Two potential report classification models are currently being considered: The first is tentatively called the “G3 Application Levels” and presents a sequential system of three levels, each containing more aspects of the Guidelines than the last. The second system, which GRI calls the “G3 Application Radar,” would require of reporting organizations to simply indicate which parts of the Guidelines they have used. Regardless of which one is chosen, report classification would significantly improve stakeholders’ understanding of exactly how organizations are utilizing the GRI guidelines. It does however seem clear that the “G3 Application Radar” will be closer to the current status quo, which allows organizations to include a GRI Reporting Index or Outline, in order to indicate the various aspects of the GRI reporting standards that they did utilize. The problem with the current status quo is the fact that it allows organizations to portray an image of taking standardized reporting seriously by including a basic Report outline or Index. This presents stakeholders with a type of checklist of indicators that were used, but it does not allow for a more in-depth analysis of the quality of the information according to GRI’s reporting principles. The “G3 Application levels” would allow an organization to be more specific about the level of its commitment to GRI and the extent to which it utilizes the GRI guidelines in its triple bottom-line report. This modification will provide organizations with a much clearer road map of the path towards sustainability and will
help stakeholders to make better judgments on the quality of information that an organization puts forward.

The GRI Sustainability Reporting Guidelines consist of principles, standard disclosures, and specific guidance on technical issues that should inform the preparation of triple bottom-line reports. Part 1 of the G3 Guidelines presents us with the principles that should inform the way in which the organization approaches, gathers and presents its information. It also includes guidance on how the organization should approach the “boundary” of the report, i.e. the range of entities that should be represented in the report. The last part of this section of the guidelines focuses on principles to guide the quality of the information presented in the report.

Part 2 of the G3 Guidelines describe the standard disclosures, i.e. those aspects that are relevant and material to most organizations and of interest to most stakeholders. This includes its strategy, profile, governance and management approach. It also provides organizations with indicators that will ensure that comparable information is provided on the economic, social and environmental performance of the organization. Part 3 provides guides organizations on the use of the Guidelines, frequency of reporting, assurance and other topics.

It is interesting to note the differences between the 2002 Guidelines and the G3 document in terms of its presentation of the principles that should guide reporting. What is important to note that the principles that seem to have been deleted, or at least reworded, are “auditability” and “neutrality.” Auditability has been replaced with “assurability,” which seems to indicate an acknowledgement that assurance can be established via a variety of ways and means.

Auditability was one of the controversial aspects of the 2002 Guidelines. Many questions plagued the realization of this principle. Who should audit? Are there truly “independent” parties available who can fulfill this role? If we expect of external auditors to fulfill this role, are they properly trained? The notion of “assurability” better reflects the fact that there are many ways to assure the veracity of reports, and that transparency and ongoing, active stakeholder engagement may provide better “assurances” than a once-off audit report. The G3 is based on the contention that stakeholders should be able to have confidence that the reliability of the reports can be verified, but also recognizes that the way in which this should be done is a complex matter that requires much more research. With regard to this concern, the GRI website mentions the existence of a special working group preparing an “assurance strategy paper.”
Another important change in the G3 document the replacement of the concept of “neutrality” with “balance” (see Figure 1). Neutrality was a problematic notion because it assumed the existence of a disinterested reporting party. The 2002 Guidelines required that an organization present an “unbiased depiction of its performance.” While the G3 retains the insistence on unbiased reporting, it appears to be proposing a slightly different route towards realizing this goal. The G3 provides more detailed guidance on how organizations can prepare “balanced” reports. It requires that organizations avoid selections, omissions, or presentation formats that can unduly influence the judgment of report readers. It also requires that organizations address issues that could affect stakeholders based on the materiality of the information. The existence of practical criteria to establish “balance” is preferable to demanding “neutral” information since complete neutrality in selecting and presenting information is both philosophically flawed and practically impossible. Philosophical objections against the existence of “neutral” truth statements and the elimination of bias can be found from late Enlightenment thought of Nietzsche, the thought of the later Wittgenstein, to late 20th century hermeneutic and poststructuralist thought. Practically, it is easy to understand that all corporations have a definite interest in reporting, i.e. establishing stakeholder trust and enhancing reputational value and that an unbiased “disinterestedness” is practically impossible. The notion of “balance” is both philosophically and practically preferable. It expects of organizations to present both their successes and failures, in order to allow stakeholders to make up their own minds in how this affects the sustainability of the organization. Practically, expecting information on fines, legal cases pending, and environmental harms for instance creates at least the opportunity for stakeholders to critically engage with the organization’s reports. Philosophically speaking, it allows for a kind of “perspectivism” that presents stakeholders with both positive and negative aspects of the corporations’ activities, and looks at its sustainability through various lenses. It is also important to realize that the level of detail (or lack thereof) that a corporation includes, how statements are phrased, and also what it excludes from discussions, give stakeholders as much information as the actual words and figures on paper. From a hermeneutic point of view, it allows for some interpretative activity both on the side of report writers and stakeholder audiences.

*Figure 1. Differences between the 2002 Guidelines and the G3: Presentation of Reporting Principles*
<table>
<thead>
<tr>
<th>2002 Guidelines</th>
<th>G3</th>
</tr>
</thead>
<tbody>
<tr>
<td>*The framework for the report:</td>
<td>*Principles for defining report content:</td>
</tr>
<tr>
<td>Transparency</td>
<td>Inclusivity</td>
</tr>
<tr>
<td>Inclusiveness</td>
<td>Relevance</td>
</tr>
<tr>
<td>Auditability</td>
<td>Materiality</td>
</tr>
<tr>
<td></td>
<td>Sustainability context</td>
</tr>
<tr>
<td>*What to report:</td>
<td>Completeness</td>
</tr>
<tr>
<td>Completeness</td>
<td></td>
</tr>
<tr>
<td>Relevance</td>
<td>*Quality of reported information:</td>
</tr>
<tr>
<td>Sustainability Context</td>
<td>Balance</td>
</tr>
<tr>
<td></td>
<td>Comparability</td>
</tr>
<tr>
<td>*Ensuring quality and reliability:</td>
<td>Accuracy</td>
</tr>
<tr>
<td>Accuracy</td>
<td>Timeliness</td>
</tr>
<tr>
<td>Neutrality</td>
<td>Clarity</td>
</tr>
<tr>
<td></td>
<td>Assurability</td>
</tr>
<tr>
<td><em>Informing decision about access to information:</em></td>
<td></td>
</tr>
<tr>
<td>Comparability</td>
<td>*Transparency is mentioned in a separate text box as the value and goal that underlies all aspects of sustainability reporting</td>
</tr>
<tr>
<td>Clarity</td>
<td></td>
</tr>
<tr>
<td>Timeliness</td>
<td></td>
</tr>
</tbody>
</table>

**GRI Performance indicators**

Performance indicators, both qualitative and quantitative, are the core of a sustainability report and are grouped by the GRI in three categories covering the economic, environmental, and social dimensions.

- **Economic indicators** are concerned with an organization’s impact, both direct and indirect, on the economic resources of its stakeholders and economic systems at local, national, and global levels. Economic responsibility refers to more than the profitability...
of the company. It requires some consideration of how the organization is contributing to sustainable growth within the local and international context.

- **Environmental indicators** are concerned with an organization’s impact on living and non-living natural systems, including eco-systems, land, air and water. Included within environmental indicators are the environmental impacts of products and services: energy, material and water use; greenhouse gas and other emissions; effluents and waste generation; impacts on biodiversity; use of hazardous materials; recycling, pollution, waste reduction and other environmental programs; environmental expenditures; and fines and penalties for non-compliance.

- **Social indicators** include a few broad subcategories with more detailed indicators under each:
  1. Labor practices such as diversity, employee health and safety;
  2. Human rights such as child labor and compliance issues;
  3. Broader social issues such as bribery, corruption and community relations; and
  4. Product responsibility.

It is interesting to note that the 2002 Guidelines document makes explicit reference to systemic and cross-cutting indicators as well, whereas such references seem to be absent from the G3 document. The reason for this decision is not explicitly discussed, and may become clearer once the final G3 document is made available.

**Important sustainability aspects ignored by the GRI**

One of the most serious concerns with regard to the information required by both the 2002 Guidelines and the G3 Guidelines, is the glaring absence of information about organizational culture and ethics management initiatives aimed at improving ethical behavior on various levels of the organization. Brief reference is made to Codes under Section 4 of Part 2 entitled “Governance, Commitments and Engagement.” It requires that the organizations disclose “internally developed mission and values statements, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation.” Guidelines on what a best practice ethics and compliance program would look like, and specific performance indicators that would allow stakeholders to judge the validity of an organization’s
claims on the “status of their implementation,” are as conspicuously absent from G3 as they were from the 2002 Guidelines.

The main concern in this regard is that G3 does not seem to take seriously the recent revision of the United States Federal Sentencing Guidelines that place great emphasis on efficient ethics and compliance programs and on executive and Board responsibility in this regard. In a post-ENRON world, it is not difficult to see how proper management of organizational culture through sound ethics management would contribute to the sustainability of an organization, or the lack thereof.

Reports on basic ethics management elements like awareness raising, ethics training and whistle-blowing systems could have been included in the information that the GRI requires organizations to present as part of their sustainability report. In addition, social and ethical audits, which could provide stakeholders with information on the state of the organization’s culture, would contribute crucial information that the GRI does not require. Including more guidance on what organizations should report on in terms of ethics management and good governance, would also have gone a long way to integrate organizations’ corporate social responsibility initiatives, with their internal ethics management. In order to be able to judge whether an organization is doing that which it should in order to prevent the kind of corporate collapses experienced in the case of ENRON and WorldCom, stakeholders would need some more detailed information on what organizations are doing to foster ethical corporate cultures.

In general, the GRI has much to offer a stakeholder community that has for many decades been starved of quality corporate information presented in an accessible and understandable format. One of the main benefits of the GRI model lies in the fact that it displays a change in the way corporations and their stakeholders are thinking about what makes a company a good investment option, a good place to work, or a good corporate citizen. Sustainability reporting truly reframes the purpose of the corporation and redefines corporate success. The emphasis that is being placed on stakeholder engagement within the GRI model also has to be commended. The GRI is also doing laudable work in encouraging industry specific supplements and technical protocols. Through these efforts, the GRI allows for specificity in terms of industry-specific elements of a sustainability focus, while at the same time maintaining comparability in corporate reporting. The “issue guidance” documents published by GRI is also a valuable means by which to focus organizations’ and stakeholders’ attention on burning issues like HIV/AIDS and to provide
practical guidance on that which organizations should be doing in order to address such seemingly overwhelming problems.

Unfortunately, many challenges remain. One of the most serious disappointments of the G3 document is its failure to develop more detailed guidance on the nature of proper ethics management interventions in organizations. If stakeholders are truly invited to participate in evaluating organizations’ sustainability, the risk of ethical failures cannot be overlooked. Stakeholders often have no idea of what corporations can and should be doing to improve the ethical culture within their organizations, and in the regard, the new G3 Guidelines are not going to be of much help.

IV. Conclusion

The ultimate value of the recent vlm in corporate responsibility and the reporting of related activities, especially those involving adherence to the GRI, goes further than its sole impact on individual stakeholders. Such activities should be encouraged based on their role in sustaining market economies and regaining corporate value. If reporting serves to encourage companies across the map to change their behavior, stakeholders as market forces rather than individual interests will reap the true and sustainable benefits.

Only time will tell if reporting structures such as the GRI can effectively lead to this result. The GRI reporting initiative clearly makes a critical contribution to the dissemination of quality information to stakeholders relating to corporate social responsibility, and the recent G3 seems primed to continue this effort. Its initiative in establishing synergies with other codes, principles, and management and performance standards that form part of the CSR landscape is also laudable. The changes to the Guidelines presented by the G3 document seem to bode well for the establishment of a more realistic set of reporting principles.

Though specific challenges remain, especially with regard to reporting on ethics management and the improvement of organizational culture, the G3’s practical advice on the application of its reporting principles has the potential to enhance the quality of corporate reporting. However, as the saying goes, the proof of the pudding lies in the eating. Evaluation of the quality of the information provided, and ultimate judgment regarding the extent to which principles like transparency, quality, balance and assurability are realized by the reporting companies, is the necessary next step in further research regarding the manner in which specific companies – and
stakeholders – implement and utilize the GRI guidelines. This kind of research will entail detailed analysis of specific reports; it is towards meeting this challenge that future research endeavors should be directed.
Appendix A: *Promoting Sustainability – Emerging Collaboration*

<table>
<thead>
<tr>
<th>Tool &amp; Function</th>
<th>Initiative (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Codes and Principles: guidance on values and behaviour</td>
<td>UN Global Compact, OECD MINE Guidelines</td>
</tr>
<tr>
<td>Performance Standards: guidance on specific targets and objectives</td>
<td>SA 8000, ILO</td>
</tr>
<tr>
<td>Management Systems: guidance on designing procedures for managing internal operations</td>
<td>ISO 14000</td>
</tr>
<tr>
<td>Performance Reporting: guidance on what and how to disclose</td>
<td>GRI</td>
</tr>
<tr>
<td>Assurance: guidance on procedures for verifying reports</td>
<td>AA10000</td>
</tr>
<tr>
<td>Benchmarking: provision of comparisons of performance</td>
<td>SAM, Innovest, FTSE4Good</td>
</tr>
</tbody>
</table>

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