"Out of all those millions and millions of planets floating around there in space, this is our planet, this is our little one, so we just got to be aware of it and take care of it".

- Paul McCartney

SUSTAINABILITY REPORTING & GRI FRAMEWORK

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 to appropriately respond to issues of sustainable development.

A sustainability report provides a balanced and reasonable representation of the sustainability performance of the reporting organization, including both positive and negative contributions. Sustainability reports based on the GRI Reporting Framework disclose outcomes and results that occurred within the reporting period in the context of the organization's commitments, strategy and management approach.

GRI & Sustainability Reporting

The key drivers for the quality of sustainability reports are the guidelines of the Global Reporting Initiative (GRI), the Association of Chartered Certified Accountants (ACCA), award schemes or rankings.

As already discussed **(Sustainability & the Regulatory Environment (Part-I),** Global Reporting Initiative (GRI) is an organization that provides a framework for sustainability reporting that can be used by all types of organizations. Its Guidelines on sustainability reporting are widely used.

The GRI was formed by the United States based non-profits Coalition for Environmentally Responsible Economies (CERES) and Tellus Institute, with the support of the United Nations Environment Programme (UNEP) in 1997. It has

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collaborating centre of UNEP and works in co-operation with the United Nations Global Compact.

GRI's Mission is to make sustainability reporting standard practice by providing guidance and support that enable organizations to report transparently and accountably, as drivers of the transition to a sustainable global economy.

Sustainability Reporting: Definition

Sustainability reporting as per GRI Guidelines is the practice of measuring and disclosing sustainability data with Performance Indicators and Management Disclosures. It helps stakeholders to understand organizations' sustainability performance and impacts. The reporting process emphasizes the link between financial and non-financial performance

The GRI Guidelines are the most common framework used in the world for reporting. The Guidelines in their generation (3G) are the cornerstone of the GRI Sustainability Reporting Frame work. It has been reported that among all the international standards identified at the global level, the GRI G3 Guidelines are generally accepted as the most comprehensive guidance on sustainability reporting as a tool for measurement and communication (UNEP and KPMG, 2006; KPMG, 2008; 'the gold standard for sustainability reporting', see Richardson, 2008).

The G3 Guidelines are divided into two parts:

— Reporting Principles and Reporting Guidance; and
— Standard Disclosures (including performance indicators).

G3 Guidelines

Part 1	**Part2**
Reporting Principles and Guidance	Standard Disclosures
Defining Report Content, Quality, and boundary	Strategy and Profile Management Approach Performance Indicators

Defining Report Content

- Materiality
- Stakeholder Inclusiveness
- Sustainability Context
- Completeness

Reporting Principles for Defining Quality

- Balance
- Comparability
- Accuracy
- Timeliness
- Clarity

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Reporting Guidance for Boundary Setting

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 identified by each organization.
 — Dependent on the guidance and tests found in the GRI Reporting Principles, and
 — Disclosed.

Materiality: Materiality means that the information in a report should cover topics and indicators that reflect the organisation's significant economic, environmental and social impacts or that would substantially influence the assessments and decision of stakeholders.

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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: Stakeholder inclusiveness means that 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 includes 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 there 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

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Sustainability Context: It means that the report should present the organization's performance in the wider context of sustainability. The idea is that sustainability reporting is 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. As for instance, an organization could report on employee wages and social benefit levels in relation to nation-wide 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: By completeness it is meant that the 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: Balance means that the report should reflect positive and negative aspects of the organization's performance to enable a reasoned assessment of overall performance.

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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: It means that the 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: By accuracy it is meant that the reported information should be sufficiently accurate and detailed for stakeholders to assess the reporting organization's performance.

Timeliness: It means that the 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: Clarity means that the 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: It means that the 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.

1.3 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:

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• *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 such as its strategy, profile, and governance.

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.

Benefits of Reporting

For reporting organizations, the GRI Reporting Framework provides tools for: management, increased comparability and reduced costs of sustainability, brand and reputation enhancement, differentiation in the marketplace, protection from brand erosion resulting from the actions of suppliers or competitors, networking and communications.

For report users, the GRI Reporting Framework is a useful benchmarking tool, corporate governance tool and an avenue for long term dialogue with reporting organizations.

G3.1 Sustainability Reporting Guidelines

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.

Based on the stakeholder feed back, GRI on 23 March, 2011 launched G3.1 Sustainability Reporting Guidelines which as per GRI are the most comprehensive and complete sustainability reporting guidance available today.

G3.1 Sustainability Reporting Guidelines is an update and completion of the third generation of GRI's Sustainability Reporting Guidelines. The Guidelines are the cornerstone of GRI's Reporting Framework which provides guidance on how organizations can report on their human rights, gender and local community performance.

What is in the G3.1 Guidelines?

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• 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.

Part 2 – Standard Disclosures

• Strategy and Profile
• Management Approach
• Performance Indicators

As stated above, G3.1 features expanded guidance for reporting on human rights, local community impacts and gender. Organizations can decide if the expanded Guidance in G3.1 is relevant to them by following the *Technical Protocol - Applying the Report Content Principles.* This resource helps organizations to produce relevant reports more easily, and can be used with the G3.1 and G3 Guidelines. Organizations that are already reporting on their sustainability performance are entitled to use the current G3 Guidelines or the updated G3.1 Guidelines. Both versions remain valid until the next generation of GRI Guidelines is in place. This next generation is due to be launched in 2013 and will be the only valid version of the Guidelines in 2015.

While G3-based reporting remains valid, GRI recommends that reporters use G3.1, the most comprehensive reporting guidance available today. G3.1 enables organizations to be transparent about a wider range of sustainability issues. New reporters should begin their reporting journey by following G3.1.

GRI will be launching next generation of Sustainability Reporting Guidelines – G4 in May 2013 during GRI's Global Conference on Sustainability and Reporting.

"You can never have an impact on society if you have not changed yourself."

Nelson Mandela

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