



Annual Review of Activities 2005

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1. Introduction and Executive Summary

2005 saw continued growth in use of GRI's Guidelines. The total number of organizations known to have used the GRI's *Sustainability Reporting Guidelines* hit 750, surpassing the original projections of 700 by year's end.

The continued uptake of the *Guidelines* paralleled substantial investments in GRI's outputs: the most significant being the process and production of the draft G3 Guidelines. Released for public comment and initial dissemination in early 2006, the draft G3 Guidelines represent an ongoing evolution in sustainability reporting guidelines, and evidence the substantial gains made (across multiple sectors, and within GRI as an institution) since GRI's inception in 1997.

This Annual Activities Review, 2005, articulates key activities and successes, programmatically, over the year. Information about GRI's own sustainability performance can be found in the organization's first GRI report 'It's not enough to just BE' released in early 2005, and which covers the fiscal year 2003-2004. A brief update to this sustainability report for the fiscal year 2004-2005 was issued in November 2005. These can be found at <http://www.globalreporting.org/about/06susAtGRI.asp>

Key achievements for this year are:

- Continued growth to 750 reporters declaring they use the *Guidelines*
- The release of three sector supplements, with a further two under development; resulting in a total of nine Supplements available in various stages
- Translation of the *Guidelines* into four languages, these additions bring the total to 12 languages.
- Two working groups – Indicators, and Reporting as a Process – were convened, along with six issue-specific advisory groups, in total involving nearly 100 people worldwide. Each group was tasked with improving different parts of the *Guidelines*. The draft G3, released early 2006, represents nearly twelve months' research, collaboration, and consensus building by these multi-stakeholder groups. This process was the main work area focus for GRI over the year.
- Building collaborative approaches that aim to facilitate use of GRI's reporting framework by all organizations. The Centre for Public Agency Sustainability Reporting, housed in Melbourne, and the Global Compact's Guide to Communicating on Progress represent two such approaches which emerged in 2005.

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2. Guideline use

The total number of organizations using the GRI Guidelines as the basis for their reporting increased to 750 by December 2005. This represents a 24% increase in *Guideline* uptake since the 2004 annual review. These reporting organizations came from 53 countries, up from 49 countries in 2004, and are drawn across all six (inhabited) continents. Regional uptake demonstrated a relatively consistent pattern as in previous years. Full statistics can be found on www.globalreporting.org.

New reporters came from a variety of sectors, although the greatest representation was from the corporate sector. Excitingly, however, there was growing interest from other sectors, with a diverse range of sectors using the *Guidelines* in their reporting practices. In 2005, The Guardian Unlimited (UK) became the first known media constituency to use the GRI *Guidelines*. The University of Hong Kong demonstrates a continued leadership in transparency and accountability as one of a handful of reporters from the education sector. The applicability of the *Guidelines* to a range of sectors was especially highlighted throughout 2005 with the multi-lateral World Bank Group using the *Guidelines* when disclosing their sustainability performance.

Other groups of particular interest include the commitment of six micro-finance banks in developing countries that undertook the production of their first sustainability report using the GRI *Guidelines*. Microfinance credit schemes represent powerful opportunities for poverty alleviation in developing countries, as they provide low-interest financial loan access (often between US\$50-1000) to people who are typically excluded from larger financial loans, and thereby help break the cycle of poverty. These microfinance banks will use GRI's *Guidelines*, the High-5! Document, and the assistance of Triodos Bank to complete their sustainability reports: a timely commitment in what was the UN's International Year of Microcredit.

The GRI Guidelines have been used for the first known time in the production of a sustainability report by a single-person company (TranspaRAbility). Their sustainability report was aided by reference to GRI's handbook for SMEs 'High-5!' (released late 2004).

2005 also saw GRI as an organization profess 'It's not enough to just BE' with the release of its first sustainability report – based on the GRI Guidelines. Using the *Guidelines* helped GRI staff and governance bodies evaluate the development of many organizational policies, procedures and the management system: lessons directly integrated into the current management and future planning of GRI as an institution.

Amongst new corporate reporters this year, are: The IKEA Group (Sweden), Coca-Cola Company (USA), HSBC (UK), Deloitte (South Africa). For the full list visit GRI's online database of reports at www.globalreporting.org.

3. Reporting framework development

3.1 Third Generation of the Sustainability Reporting Guidelines

2005 was heavily consumed with developing and releasing the draft G3 Guidelines. The G3 draft responds to the calls of a Structured Feedback Process held in 2004 involving over 450 people worldwide to first, improve the clarity and purpose of indicators; and second, to provide further guidance on reporting as a process.

GRI established two multi-stakeholder working groups, comprised of experts from across the globe and balanced across stakeholder constituencies (including representatives from business, civil society, labor, accounting, and investing).

The Reporting as a Process Working Group (RPWG), consisting of 16 people, met three times in 2005 and were responsible for the review and creation of process-oriented guidance for inclusion in the Guidelines. They focused their attention on the reporting principles. For the draft G3 Guidelines they proposed that the principles be regrouped into two clusters: those for helping to select content, and those for helping to ensure quality of information. For each principle the group drafted a concise definition, a longer explanation of its importance, and a series of self-tests that reporting organizations can apply to ensure they are using the principles in their reporting planning and decision making process.

The 16 person Indicators Working Group (IWG) was convened in parallel to the RPWG, and also met three times in 2005. The IWG worked with six issue-specific advisory groups consisting of about 60 people in total and which were tasked with looking at specific sets of indicators, refining them, and agreeing on the content of the indicator protocols. Advisory Groups each met three times via telephone in 2005, and were convened for economics, environment – pollution, environment – biodiversity, human rights, labor, product responsibility, and society. Their work was reviewed by the IWG who was tasked with ensuring overall balance and consistency in the indicator set. All groups working on indicators were tasked with refining them and making them more results oriented. As a result, the IWG also had to experiment with the creation of an infrastructure to allow an organization to present its policies, procedures, targets, etc., so that the performance results disclosed by the indicators could be read in context. The IWG and Advisory Groups proposed the ‘Disclosure on Management Approach’ and the indicator set found in the draft G3 Guidelines.

Following GRI’s continued multi-stakeholder approach to reporting framework development the groups’ members included report writers and report users across various industries and sectors. Almost 100 stakeholders were heavily engaged throughout the 12 month period. The working groups presented their findings to GRI’s Technical Advisory Committee in December who approved it for release as a consultation draft.

And still there were more contributors to this stakeholder consultation phase in 2005! A Practitioners Network of 75 individuals was formed via email. This group responded to questions posed by the various working groups. GRI also convened two meetings of mainstream buy and sell-side financial analysts to scope out what it would take to get sustainability information embedded as a part of financial ratings and decision making systems.

The G3 Draft was released for public comment at the start of January 2006. Upon the close of the public comment period on 31st March, GRI will then review all comments received and make changes to the draft G3 Guidelines based on global opinion. This new draft will then go through the GRI's governance bodies for various forms of approval – including the Technical Advisory Committee, the Stakeholder Council, and ultimately the Board of Directors. The official launch of G3 Guidelines in final form is scheduled for October 2006.

Sector supplements

GRI's infrastructure of reporting guidance continued to expand throughout 2005, with ongoing development of number of sector supplements. Three sector supplements were released; and two sector supplements were initiated, or continued development. All sector supplements are formed through a multi-stakeholder working group, which contains representatives of leading sector experts across a range of geographic areas and constituencies. Working groups convene four times throughout a 12 month period. Draft sector supplements are approved by the Technical Advisory Committee (TAC), released for public comment, and then undergo a formal piloting phase.

- The Logistics and Transportation Sector Supplement process continued throughout 2005, with the coordinated partnership of the Logistics & Transportation Corporate Citizenship Initiative of the World Economic Forum (L&TCCI WEF) and the GRI. The working group of multi-stakeholder experts had their final meeting in 2005 and are on track for an early 2006 release.
- In February 2005, the formation of an Apparel and Footwear Sector Supplement was announced. Since then, the 16-person working group for the Apparel and Footwear Sector Supplement met twice through 2005 and are likely to release a draft for public comment in mid- 2006.
- The Financial services sector supplement was released in March. The supplement contains 13 new environmental performance indicators focused on measuring the environmental impacts of the financial sector's products and services. The addition of environmental indicators builds upon work on social performance indicators, undertaken in 2002. In partnership with UNEP-FI, GRI will begin a formal pilot of the sector supplement in 2006.

- The Public Agency sector supplement was released in March, in Australia by Melbourne's Lord Mayor, Mr John So, and GRI's Chief Executive Ernst Ligteringen. Simultaneously, GRI entered an exciting new collaborative initiative, in forming the Centre for Public Agency Sustainability Reporting. Based in Melbourne, 'The Centre' will work closely with GRI on capacity building programmes to facilitate the uptake of reporting by the public sector. (See section 4: Reporting Resources).
- Responding to the increased interest in reporting by Energy Utilities, GRI commenced the process for producing an Energy Utilities sector supplement. Announcements for nominations to the working group were issued in December, and the first of the group's four meetings is scheduled for early 2006.

Guidelines Translations

The *Guidelines* were translated into a further four languages in 2005, bringing the total translations to 12. In 2005, GRI released Chinese (both traditional and simplified characters), Romanian, Greek, and Hungarian versions of the 2002 *Guidelines*. A concerted effort from experts and practitioners globally helped increase the accessibility, and applicability, of GRI's reporting framework, throughout the world.

Many thanks go to the following teams:

Chinese:

ACCA Hong Kong for sponsoring the translation and dissemination of print and CD copies. Special thanks to coordinators, translators and peer reviewers: Dr Lynne Chow, Technical Advisor, ACCA Hong Kong; Dr Catherine Ni Weihong, Hong & Sheng Consulting International Co., Ltd; Mr Albert Lai, Chairman, People's, Council for Sustainable Development; Mr Plato K T Yip, Strategy, Development Manager, CK Life Sciences Int'l. Inc.; Ms Sonia Khao, Head of Technical Services, ACCA Hong Kong

Romanian:

The translation was done by certified translators Andreea Grigoriu and Sorina Grosescu, and following GRI's due process, was further peer reviewed by Dana Palade and Ion Monafu and supervised by Dr. Gabriela L. Sabau. Many thanks to the sponsors: International Foundation for Health, Environment and Sustainable Development and The Association of the National Romanian Institute for the Study of Development and Use of Energy Sources (IRE), both of Bucharest, Romania.

Hungarian:

Agnes Keltai and her colleagues at Braun & Partners of Budapest for supporting and undertaking the translation. The Hungarian Guidelines were launched in conjunction with KPMG Hungary.

Greek:

Translation director: Mr. Nikos Vassiliadis - General Manager Qualitynet Foundation

Peer reviewers: Mr. John Kyziazoglou – (translator), Mr. Nikos Analytis – President

Greek Network for CSR; Ms. Maria Alexiou – CSR Manager, Titan Cement, Hellenic Network for CSR

Translations can be found at <http://www.globalreporting.org/guidelines/06trans.asp>

4. Reporting resources

The Centre for Public Agency Sustainability Reporting

The Centre for Public Agency Sustainability Reporting is a collaborative entity between GRI, ICLEI: Local Governments for Sustainability, the City of Melbourne, and the State of Victoria. Based in Melbourne, Australia, 'The Centre' was launched in March 2005 in conjunction with the release of the Public Agency sector supplement. 'The Centre' is completing a number of projects designed to improve public agencies capacity to undertake sustainability reporting. 'The Centre' is working with many public agencies internationally, including those already engaged in GRI reporting, as well as those at earlier stages of reporting. 'The Centre' will be GRI's partner for undertaking a formal pilot of the Public Agency sector supplement in late-2006. For more information go to www.publicagencyreporting.org

The Global Compact's Guide to Communication on Progress

GRI, the Global Compact, and a team of international collaborators released an exciting new publication, 'A practical guide to communication of progress: advice for Global Compact participating companies preparing their Communication on Progress'. The publication was produced in response to new requirements that companies participating in the Global Compact submit a Communication on Progress (COP), which articulates an organisation's actions and outcomes achieved in pursuit of Global Compact Principles. Promoting transparency and accountability, the guidebook provides simple advice and practical tips for Global Compact companies (of various size, industry and geographic distribution) to complete their COP. The publications provides case studies of other companies' successes in communication progress; suggests relevant, useful indicators from the GRI Guidelines; and acts as a reference point in providing facts and data for the companies' progress.

Collaborators preparing this publication include Instituto de Empresa, Telefonica, PricewaterhouseCoopers (Spain), and Uniethos (Brazil).

The publication is available free to download at <http://www.globalreporting.org/resources/06GC.asp> and also on the Global Compact website.

Reporting for Small and Medium Sized Enterprises

The release in late 2004 of GRI's publication "High 5! A Guide to Reporting for Small and Not-so-Small Enterprises" caught the attention of small enterprises and capacity-building organizations globally. Many organizations collaborated with GRI to build educational and capacity building programs for small enterprises in their constituencies based on "High 5!". GRI encouraged and tracked this through 2005 while seeking

funding to develop its own internal capacity to help build these programs and work more closely with experts in the field.

5. Outreach and communications

GRI enjoyed continued media coverage throughout 2005, building upon the expanded coverage from 2004. G3 caught a significant proportion of media attention, with much coverage focusing on how G3 will facilitate future sustainability reporting practices and uptake, internationally. Media sources continued to praise the GRI *Guidelines* for their significant contribution to enhancing the accountability of organisations throughout the world.

- The profile of G3 was raised in a series of articles in the journal Sustainable Development International (SDI). Four papers appeared in the journal in 2005 allowing a diverse audience to track the developments with G3 over the year.
- Two articles appeared in Corporate Responsibility Management (CR Management), which highlighted the improved user-friendliness of G3, and the links between sustainability reporting and good corporate governance.
- In April, GRI was mentioned in connection with two issues covered by the Financial Times. One was the high-profile release of Nike's first corporate responsibility report in three years, which courageously disclosed of all Nike suppliers, along with information on workforce diversity, socially responsible investing, the environment, and community programmes. Praising the benefits of using the GRI's Guidelines in reporting, the report claims GRI is a "comprehensive framework for reporting a company's impacts and activities," and that "it has credibility with a broad cross-section of stakeholder groups."
- Also in the Financial Times, the GRI was mentioned with reference to the growing number of environmental and social reports in the US, following the lead set by European companies.
- GRI featured in a New York Times article that profiled WalMart's recent environmental commitments.
- GRI board member Joan Bavaria participated in a live prime-time interview on CNBC that concerned GRI.
- GRI and AccountAbility published an Executive Briefing: 'The future on corporate responsibility codes, standards and frameworks.'
- The Centre for Public Agency Sustainability Reporting, GRI's collaborative entity representing public sector sustainability reporting, released their inaugural research report, one of the first internationally to focus specifically on public agencies.
- The extent of reporters' involvement with GRI was also questioned in a broad scale survey into sustainability reporting in Canada. This report, produced by Certified General Accountants Association of Canada, champions GRI's multi-stakeholder process and the ability for reporters to adopt an incremental approach.
- KPMG's tri-annual report demonstrated continued uptake in sustainability reporting. The report notes that 40% of reporters utilise the *Guidelines* in discussions over materiality and deciding what to report on.

- GRI featured in the publication Ethical Corporation (February 2005) for Poulomi Mrinal Saha's piece: GRI Walks the Talk on sustainability reporting.
- Other media coverage included articles that appeared in O Estado de São Paulo (Brazil), Het Financieele Dagblad (the Netherlands), and Ethical Corporation (UK), featuring interviews with senior Secretariat staff and about the publication of GRI's own sustainability report.

Conference attendance

It is estimated that GRI staff and governance leadership reached an audience of over 10,000 this year by participating as speakers at events worldwide. GRI's small secretariat staff visited over 100 different events in 30 countries globally. These speaking roles provided a great opportunity to increase awareness internationally about the G3 developments and opportunities for people to get involved along the way.

Website and electronic media

- The G3 website, www.grig3.org was launched in December 2005, and hosts all G3 related information.
- Early 2006 sees plans to overhaul our current, main site, www.globalreporting.org
- Subscribers to GRI's monthly newsletter continued to expand, reaching 8000 by the end of 2005.

6. GRI's Institutional development

Overview of new business plan: 2005-2010

GRI adopted a new business plan in December 2004, in part, responding to the significant institutional changes and opportunities laid out by the G3 Guidelines, and also to capitalize the opportunity of reflecting and strategizing at the completion of our previous plan (2003-2005). The most significant change to the business plan is the shift away from philanthropic grant-based funding, towards a strengthened financial basis of self-sufficiency; revenue being sourced from future education and training courses, and reporting registration services. Of course, the multi-stakeholder access and participation underpin our business plan and their needs are also satisfied by the new business plan. The GRI's spirit of continuous improvement is reflected in the new business plan, which explicitly continues to promote GRI's reporting framework as a free and public good.

At the heart of the business plan lies the successful creation of the G3 Guidelines. This was the focus for the first year of the business plan. Also this year early foundations were laid for the future learning programs; and developing the enhanced technology platform in support of the G3 Guidelines.

Learning, Education, Certification

A first step towards creating learning and capacity building programs in support of the G3 Guidelines was achieved in late 2005 when GRI secured a grant from the European Commission's DG Employment for the creation of a reporting manual. This manual will form the basis for material needed in the future for web-based learning, training, education, and knowledge certification programs due to roll out with the launch of the G3 Guidelines. Work on the development of the manual will commence in earnest in 2006.

Engaging in emerging economies

GRI has actively pursued continued involvement with emerging economies throughout 2005. Success in engaging with these economies is evidenced by the continued uptake of GRI's *Guidelines* in these contexts. Other successes include the translation of the *Guidelines* into Chinese, and Eastern European languages this year.

The Netherlands Government has ensured GRI will be able to reach audiences equally in emerging markets by providing a grant of funds to be issued over the next five years earmarked specifically for facilitating the participation of people and organizations in emerging markets in GRI processes, and access to GRI resources.

7. Governance

TAC had first meeting, decided members

The Technical Advisory Committee came into fruition with their inaugural meeting in February. The TAC plays a crucial role in the governance of GRI, including reviewing the outcomes of working groups tasked with developing sector supplements and the G3 Guidelines.

TAC members are:

Roger Adams, Association of Chartered Certified Accountants (ACCA), UK - TAC Chair

Rob Frederick, Brown-Forman Corporation, US

Nelmara Arbex, Natura Cosmetics, Brazil

David Russell, Dow Europe (The Dow Chemical Company), US

Craig Mackenzie, Insight Investment, UK

Maria Sillanpää, AccountAbility, Finland

Saliem Fakir, IUCN South Africa, South Africa

Michael Nugent, International Federation of Accountants (IFAC), Australia

Tom Etty, Netherlands Trade Union Confederation (FNV), the Netherlands

SC started voting process

The first ever rotation of GRI's 48 Stakeholder Council (SC) Members occurs in 2006, so much of 2005 was spent preparing for this. The SC is the formal stakeholder policy forum within the GRI governance structure. It serves as an active multi-stakeholder body for debating and deliberating key strategic and policy issues facing the GRI, as well as serving as an advocate for the GRI organisation and mission. The rotation aims to ensure fairness, opportunity and thorough representation through the rebalancing of people representing stakeholder constituencies (i.e., business, civil society, labor, mediating institution) and geographic region. The current SC membership has been in place since 2003. Following this one, rotation will occur annually. GRI's organizational stakeholder members vote for stakeholder council nominees.

At the annual SC meeting in July Pieter van der Gaag was elected Vice-Chair of the Stakeholder Council, replacing outgoing vice-Chair Ruth Rosenbaum. Linda Funnell-Milner remained in her role as Chair of the Stakeholder Council.

BOD, new members

Early 2005 saw John Evans and Ricardo Young join GRI's Board of Directors for a two year term. GRI are pleased to have positions filled by individuals of such calibre. John and Ricardo filled the positions vacated by Fabio Feldmann from Brazil and Anita Normark from Sweden, both inaugural board members, whose contributions are highly commendable.

GRI co-founder Robert K Massie retired from his position on the Board after many years of dedicated service. He was replaced by Joan Bavaria of Trillium Asset Management, also a Board member of CERES, the organization that helped found and incubate GRI in the early days. Joan's involvement has already impacted and improved GRI's relations and visibility in the USA and among the investor community due to the high level of respect for Joan in these communities.

OS new this year, a rapidly expanding program

This year saw our Organisational Stakeholders network continue unprecedented expansion. The year closed with an impressive 240+ Organisational Stakeholders; excitingly representing a variety of sectors and geographical backgrounds. OS form the back bone of the GRI network and the governance system. If your organization finds value in the Guidelines and the GRI's mission, please join today at www.globalreporting.org/os

New Organisational Stakeholders for this year are:

Aberje
Africappractice, United Kingdom
Amethyst Group, Inc. - USA
Asia Network, Singapore
Association of Chartered Certified Accountants (ACCA), UK
Austrian Business Academy for Sustainable Development (ASD), Austria
BASF AG, Germany
BC Hydro, Canada
BECO Groep b.v., Netherlands
Bethel Networking
Boehncke PR, Germany
CECA, Spain
CityAbility - USA
Coca-Cola Hellenic Bottling Company S.A. - Greece
Col.legi de Censors Jurats De Censors Jurats de Comptes de Catalunya - Spain
Confederacion Espanola de Cajas de Ahorros (CECA) - Spain
Consultora TR MALTHUS Limitada
Det Norske Veritas, Norway
Digital Data Systems Ltd., Sri Lanka
EduVision Inc., Canada
Enablon
Enell Sustainable Business AB, Sweden
Environmental Management Research Center, Korea, Republic of Korea
Environmental Support Services
Ethical Frameworks Consulting, Australia
Foretica, Spain
Formation Capital Corporation
Forte & Balance, Netherlands
Forum for the Future, UK
Fraser Communications Inc., Canada
Frozen Sahara Technologies - Canada
fundacion + familia - Spain
Global Hand - China
Grupo Eroski, Spain
Hewlett Packard, United States of America
InBev, Belgium
Inside Advisors, U.S.A.
Instituto Ethos de Empresas y Responsabilidad Social, Brazil
IUCN, The Netherlands
Javierre S.L., Spain
Jubilant Organosys, India
Jungle Rating BV
KATE-Center for Ecology & Development, Germany
Kesko Corporation, Finland
Kinetix, USA
KYU Asociés, France
Lentati & Partners, Italy
Mantec Consultants
Momentum International Partnerships, Australia
Newmont Mining Corporation
Novartis International AG - Switzerland
Organization for Social Development of Unemployed Youth
Österreichisches Institut für Nachhaltige Entwicklung (OIN), Austria
PE Consulting Group, Germany
POSCO Research Institute, Republic of Korea
Pré Consultants, Netherlands
Quality Net Foundation, Greece
ReporteSocial.com
Resource Performance Partners, Inc., U.S.A.
S & T s.c., Italy
Seneca s.r.l., Italy
Serasa S/A
Shree Cement Limited
Society of Environmental Journalists-Nepal, Nepal
Starbucks Coffee Company, USA
Statoil, Norway
Stichting Milieukeur, the Netherlands
Takaoka
Team Universe, Japan
Telefónica S.A., Spain
The Copenhagen Centre, Denmark
Trillium Asset Management
VanCity Credit Union, Canada

See full list of this important group at www.globalreporting.org/os