



ANNUAL REVIEW 2003
Gaining Momentum

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ANNUAL LETTER

from the Chair and Chief Executive



Ernst Ligteringen, Chief Executive
Judy Henderson, Chair of the Board

Dear Colleagues and Friends,

As the Global Reporting Initiative's (GRI) first full year as an independent institution comes to an end, we want to share with you some brief personal reflections on where we've been, and where we're going in this exciting global multi-stakeholder partnership.

GRI is all about measuring and reporting progress, so let's remind ourselves of some key indicators of GRI's activities and achievements.

- A little over five years ago, the concept of sustainability reporting didn't exist. GRI was only established as a permanent institution 15 months ago. As 2004 begins, there are now some 380 organisations around the world – most of them companies – that use the *GRI Sustainability Reporting Guidelines* to report their performance.
- In the period since it was officially endorsed by the UN World Summit on Sustainable Development, GRI has rolled out a number of new reporting tools. These include the 2002 GRI Sustainability Reporting Guidelines, Sector Supplements for the Automotive, Finance, Telecoms and Tour Operator sectors, and a Resource Document on HIV/AIDS developed in South Africa. The Guidelines were made available in English, Dutch, French, German, Japanese and Spanish.
- As part of our Business Plan and longstanding commitment to revise and improve, GRI is responding to demand for better reporting products and services. 2003 saw the launch of the global process for revision of the 2002 Guidelines and start of work on two new sector supplements : one on mining and metals, and one on public authority reporting. Discussions are underway on possible other supplements.
- Since opening GRI to membership, over sixty organisations – ranging from large companies (among them Anglo American, BHP Billiton, Canon, Deutsche Bank, Ford and General Motors) to SMEs, along with research organisations and NGOs – have become 'organisational stakeholders'. By supporting GRI financially, and in many cases by reporting using GRI, these organisations are at the forefront of efforts to ensure the success of GRI's sustainability reporting partnership. We thank Shell in particular for

adding a supplementary donation to its membership fee in December.

- We often hear that there is no practical definition of 'sustainable development'. In response, GRI has intensified consultations with the other leading global initiatives that form part of the sustainability 'road map'. GRI has developed guides to reporting on the UN Global Compact and OECD MNE Guidelines. In addition to its own generally-accepted sustainability indicators, GRI is also working with AccountAbility and ISO to make sustainability more tangible at organisational level.

That all this was achieved in an unexpectedly difficult economic and political climate is a testimony to the broad-based recognition of the importance of GRI's mission of becoming the leading global framework for sustainability reporting. But there were also constraints. Our small secretariat team was not always able to respond to the rising demand for presentations, information and other services. Travel, including to developing countries, was also more limited than we had wished. Here, however, our global network of sixty Stakeholder Council members were able to assist the Secretariat and Board members in ensuring a regular dialogue with stakeholders around the world.

So what are our plans for 2004? Essentially, we will have three main points of focus.

1) Expanding use of the Guidelines will remain a priority. We plan to have at least 600 corporate reporters by the end of 2005, with additional reporters from public authorities, NGOs and international organisations. We expect to stimulate increased use of GRI's Guidelines both through the growing recognition of the management and market benefits of non-financial reporting, and by improving and extending our current tools and services. Working more closely with the financial sector, and in the development of software-based reporting tools, will also feature prominently.

If your organisation is not already a GRI reporter, we urge you to consider joining other leading companies and bodies that use some or all of the GRI indicators to measure and report how they stack up against GRI's generally-agreed sustainability reporting Guidelines.

2) Work on improving and expanding GRI tools and services will continue. As part of the Guidelines revision process, consultative round tables will be held in all regions. Based on the feedback from the session held in Brazil last month, this is proving to be a rich vein of information and ideas. Subject to market interest and funding, we expect to commence a number of new sector supplement negotiations and respond to demand for more information about how to use GRI.

GRI invites all organisations to help it identify areas where it can further improve its tools and performance. GRI is open to discussing possible

projects to improve reporting with all stakeholder groups, governments and international organisations.

3) Diversification and consolidation of income streams will feature strongly. GRI is committed to providing its Guidelines and other reporting tools as a free 'public good'. In order to maintain a steady stream of revenue GRI will be looking to expand its membership base, identify funders/partners for projects, and widen its current base of support from foundations, international organisations and governments. In 2004, GRI will be looking in particular to governments to match their welcome policy support for GRI with concrete financial support!

If your organisation is not already a GRI Organisational Stakeholder, please check out the benefits [here](#). If you would like to support GRI in some other manner, such as through a secondment, please contact Ernst Ligteringen personally.

In closing, on behalf of the entire GRI Board and Secretariat, we would like express our sincere gratitude to the many organisations that have given GRI their suggestions, time, and financial support in 2003. GRI is a partnership : the success we have achieved is a direct result of your support and encouragement. As 2003 gives way to 2004, with various fresh examples in the media of challenges to the sustainability of the natural, social and economic environments, we look forward to working with you more closely in 2004 in advancing transparency and dialogue around economic, social and environmental performance reporting.

Dr Judy Henderson
Chair of the Board

Ernst Ligteringen
Chief Executive

CONVERGENCE ON A GLOBAL STANDARD

Demand for sustainability reporting by all organisations has dramatically increased over the past few years: The business world has realized that it must be able to demonstrate corporate contribution to economic, environmental and social progress, in the face of allegations about companies' negative impact on sustainability and amidst calls for an international treaty on corporate accountability; Market crises have damaged confidence and trust in the corporate and financial world; NGOs are being asked to 'walk the talk' and be as transparent and accountable as they demand their corporate counterparts to be; Governments are looking to follow up on the commitments made during the World Summit on Sustainable Development in 2002; The Socially Responsible Investment (SRI) community has exponentially grown over the past 24 months. GRI's reporting framework is increasingly seen a key tool in bringing clarity and making progress in many of these areas.

After years of global multi-stakeholder engagement on the development of the GRI Sustainability Reporting Guidelines, 2003 seemed to be a time of convergence and consensus. Some evidence of this is presented below as a snapshot of events that unfolded during the year:

- Shareholder resolutions were filed against 15 companies in the USA demanding a report based on the GRI Guidelines
- Governments in Canada, Australia, Netherlands and France issued national level reporting frameworks based on GRI's Guidelines
- A half-dozen mainstream and SRI funds requested reporting on GRI Guidelines including: Barclays, Calvert, Henderson, Hermes, and Insight. IRRRC aligned its questionnaire with the GRI Guidelines.
- Companies issuing GRI-based reports doubled in 2003
- 90% of all sustainability and environmental reporting award winners were GRI reporters in 2003
- A proliferation of studies worldwide emerged in 2003 which evaluate corporate performance and reporting, these would not have been possible even two years ago without the existence of a globally understood language for sustainable development reporting
- The first non-corporate reporters emerged, including non-profits and governments

As we enter 2004 the momentum towards greater transparency and accountability has never been stronger. This annual review looks back on the momentum gained over the past year, and provides a glimpse into the future as we prepare for a step along the path towards a more sustainable future.

OUTREACH AND COMMUNICATIONS

Getting the message out: in person

GRI staff addressed participants at 100 conferences and events in 2003, in 20 countries and 45 different cities. **Estimated total audience from these engagements was 7000 people.** Approximately half of the total audience was hearing about GRI for the first time, so GRI staff tailored their speeches to introduce people to the benefits of reporting and using data based on the GRI Guidelines. Approximately 50% of the total audience for 2003 had already heard about GRI and had various levels of experience with the Guidelines. For these events GRI staff addressed complex issues associated with reporting, and gained important feedback on the use of the Guidelines by practitioners.

"We first heard about what the GRI Guidelines could offer our company in January of 2003 when we heard GRI speak at a conference in Germany. We have had a busy year since then, and will release our first sustainability report in February 2004."

Dietlind Freiberg, Otto (Germany)

Getting the message out: via Internet

By the end of 2003, **subscribers to GRI's monthly e-mail update list totaled 5000.** These individuals come from upwards of 70 countries and represent companies, accountants, financial community, researchers, academics, consultants, labour groups, non-profits, advocacy groups, governments, the press and multi-laterals. Subscribers receive a monthly news digest containing key information on the development of the GRI reporting framework, associated CSR and sustainability issues, opportunities to get involved and updates on GRI's development as an institution.

When GRI upgraded the news update system in September 2003, all current and archived news update stories were placed in a searchable database so that the development of this unique multi-stakeholder partnership could be easily tracked. During this upgrade GRI discovered that the first ever news update was sent out on 15 June 1999 by members of GRI's original Steering Committee to a network of 200 individuals – this shows **GRI's e-network has grown 25-fold** in only four years!

In March of 2003 **GRI launched a new internet website** complete with major technical and content upgrades. The website uses some of the best technology available for architecture, graphics, and database driven aspects so that information remains as current as possible. However, visitors to our site using low-band internet connections can choose to view the text version of the website. The text version does not contain any heavy graphics or javascript.

One of the most important additions to the website this year was the **InterAct forum**. A place where GRI's network of 5000 can meet and exchange ideas and information on sustainability reporting, the GRI reporting framework, and a range of associated issues. The first InterAct forum discussion topic was "determining materiality in sustainability reporting" and drew over 25 inputs in less than two weeks.

GRI estimates that the Guidelines are downloaded or viewed in PDF format 5000 times per month on average, and that the **website receives an average of 32,500 visitors per month**. Following the launch of the Guidelines in Spanish in November, GRI recorded 2000 downloads of the document from the website.

Getting the message out: in print

GRI enjoyed regular coverage in a variety of media during 2003. Mainstream newspapers such as Financial Times, Japan Times, The Australian Financial Review, The Washington Post, The Wall Street Journal, Nikkei Industrial News, Sunday Times and SABC News (South Africa), Food International, and the International Herald Tribune featured stories about GRI throughout the year.

Regular monthly coverage of GRI appeared in specialty publications such as The Green Business Letter, Green@work, Environmental Finance, GreenBiz.com, Ethical Corporation, SocialFunds.com, and many others. GRI was also discussed in accountancy journals such as CPA Journal, Accounting and Sustainability e-Newsletter and WebCPA.com

"The GRI is fast becoming the de facto standard defining the triple bottom line."

Alan Fells.
The Australian Financial Review
October 2003.

Many interesting and insightful books dealing with issues related to business and sustainability were released in 2003. GRI was featured in some of these, including:

- "What Matters Most: Business, Social Responsibility and the End of the Era of Greed" by Jeffrey Hollender and Stephen Fenichell, available from Random House Business Books
- "The Naked Corporation. How the Age of Transparency Will Revolutionize Business" Don Tapscott and David Ticoll, available from Greenleaf publishing
- "The Corporate Responsibility Code Book" by Deborah Leipzinger, available from Greenleaf Publishing

GRI produced several brochures and publications to help explain GRI's mission and goals to all interested stakeholders. In September, GRI printed its "Business Plan 2003-2005" which will set GRI's course for the coming years.

REPORTING FRAMEWORK DEVELOPMENT

Guidelines Uptake

The year 2003 saw a **doubling** of the number of total organizations that released sustainability reports based on the GRI Guidelines. As the New Year began back in January 2003 GRI was aware of about 200 organisations that had used the Guidelines as a basis for their reporting, by August this number had surpassed 300, and by year's end GRI was aware of nearly 380 organisations that had released reports based on the Guidelines. Most of these reporting organizations were corporates, but there were also four non-profit reporters, two small enterprises and three public agencies that had released reports. The 380 reporters were headquartered in 28 different countries.

Dedicated to Continuous Improvement: SFP Underway

From the outset, GRI has committed itself to being a learning organisation. It recognises that sustainability reporting is a relatively new development, and that it's Guidelines and other documents must be continuously improved based on experience of use and feedback from all of our stakeholder groups.

To ensure continuous improvement of the GRI Portfolio of Documents the Secretariat conducts Structured Feedback Processes (SFPs). SFPs are an integral part of a broader GRI consultative process that includes working groups, symposia, conferences, and other outreach activities.

The key process for revising and improving the 2002 Guidelines was launched in July 2003, just one year after the launch of the 2002 Guidelines. The purpose of this SFP is to gather feedback from reporters and report users on the 2002 Guidelines via questionnaire and regional workshops.

Over 110 organisations and individuals worldwide submitted their opinions and feedback via questionnaire between July and September 2003. Analysis of this input is a component of the information provided to participants at a series of regional roundtables which will occur between December 2003 and March 2004 on every continent.

Results from the feedback gathered will be available in May 2004. A full revision of the 2002 Guidelines is not expected until 2005/2006.

Flashback: Launch of the 2002 Sustainability Reporting Guidelines

The 2002 Sustainability Reporting Guidelines were formally released on 31 August in Johannesburg, South Africa at the World Summit on Sustainable Development. The GRI Board of Directors approved release of the 2002 version of the Guidelines after two years of testing and refinement by a diversity of stakeholders. Representatives from business, social and environmental advocacy groups, accounting bodies, labour, government, the investment community, and others participated in working groups and pilot tests to develop indicators and related Guidelines content. This is the third version of the Guidelines following earlier versions in March 1999 and June 2000.

A Global Language for Sustainability Reporting: Translation of the Guidelines into Five Languages

Just as a globally understood lexicon has emerged around financial reporting, corporate responsibility or sustainability reporting also needs such a globally understood lexicon. The first conceptual contribution to an internationally recognized sustainability reporting lexicon is beginning to develop through GRI's Guidelines as they become available in other languages.

By the end of 2003 the Guidelines had been translated into Dutch, French, German, Spanish and Japanese. Translations into Portuguese and Russian were also underway and expected to be released in the first quarter of 2004. GRI depends on its network of individuals worldwide committed to sustainability reporting for translations. Special thanks to the following people who made the translations possible :

Language	Translating team
Dutch	<p>Translation director: Folkert van der Molen, DHV Environment and Infrastructure.</p> <p>Peer reviewers: Yvonne van den Heuvel, Van Vlies & Plug; Gerdien Dijkstra and Piet Sprengers, VBDO.</p>
French	<p>Translation director: François Fatoux, ORSE</p> <p>Peer reviewers: Madame Hélène Frances, Direction des études économiques et de l'évaluation environnementale and Thierry Raes, PricewaterhouseCoopers - Ecobilanb Partner</p>
German	<p>Translation director: Professor Stefan Schaltegger, Center for Sustainability Management, University of Lüneburg</p> <p>Peer reviewer: Ralph Thurm, GRI</p>
Spanish	<p>Translation director: José Luis Blasco formerly of Fundación Entorno, now of KPMG Spain.</p> <p>Peer reviewers: Blanca Bonilla Luján (Fundación Entorno), Francisco Estrada (Grupo Nueva), Santiago Madriñán (Cecodes), Manuel Mata Pastor</p>
Japanese	<p>Translation director: Toshihiko Goto</p> <p>Peer reviewers: Professor Masao Kawano (Yokohama National University), Professor Hiroyoshi Yabe (Chuo University)</p>

Crafting a Sustainability Reporting Framework One Piece at a Time



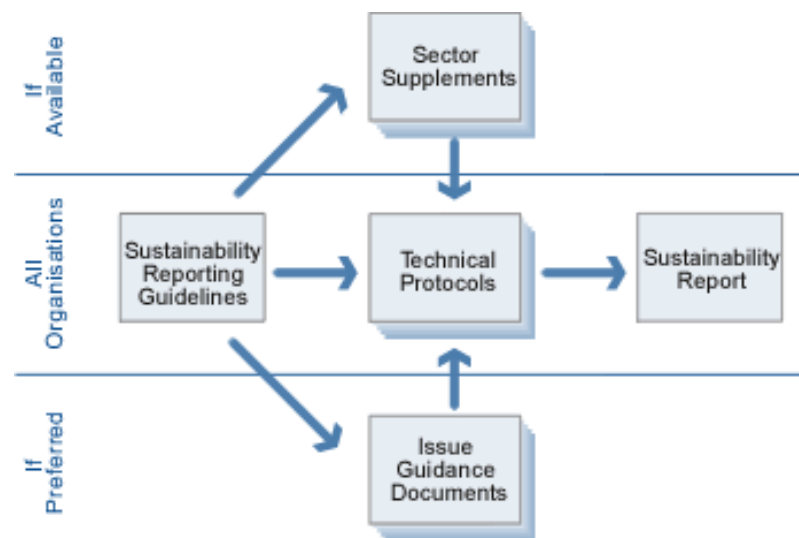
The 2002 Sustainability Reporting Guidelines represent the foundation upon which all other GRI reporting documents are based, and outline core content that is broadly relevant to all organisations regardless of size, sector, or location. GRI's full portfolio of reporting documents help make the Guidelines truly globally applicable, comparable, and accessible to organizations operating in all sectors. Below is a review of the progress made on the development of documents in support of the Guidelines.

Technical Protocols

To assist users in applying the Guidelines, GRI develops technical protocols on indicator measurement. Each protocol addresses a specific indicator (e.g., energy use, child labour) by providing detailed definitions, procedures, formulae and references to ensure consistency across reports. Over time, most of the indicators in the GRI Guidelines will be supported by a specific technical protocol.

By the end of 2003 three technical protocols had moved into the pilot stage, ready for use in support of GRI indicators in the following categories:

- **Child Labour**
- **Energy**
- **Water**



The GRI Reporting Framework

In the second half of 2003, GRI began work on two new protocols:

Boundaries Technical Protocol

Reporting organisations have started to experiment with expanding their reporting boundaries to better reflect the unique sustainability "footprint" of their organisation and its activities. In October 2003, with funding from the Dutch Government, GRI began a 15-month project to develop guidance on setting boundaries for sustainability reports.

Health and Safety Technical Protocol

In order to bring better clarity on how to report on the six health and safety indicators contained in the 2002 Guidelines work on technical protocols for each began in December 2003. This work is funded by the Bill and Melinda Gates Foundation and is connected to GRI's work on HIV/AIDS reporting.

Sector Supplements

GRI recognises the limits of a one-size-fits-all approach and the importance of capturing the unique set of sustainability issues faced by different industry sectors (e.g., mining, automotive, banking). To address this need, GRI develops sector supplements through multi-stakeholder processes for use with the standard Guidelines. Supplements are intended to add to, but not replace, the Guidelines. By the end of 2003 the following sector supplements were completed or underway:

"Sector supplements are a welcome addition... sector supplements have the potential to promote comparability within a sector and gain similar currency to the main Guidelines."

Dunstan Hope. BT

Automotive Sector Supplement

In May 2002 GRI and the UNEP Mobility Forum convened a multi-stakeholder working group with the purpose of developing an Automotive Sector Supplement to the 2002 Sustainability Reporting Guidelines. The draft was released for public comment between August and November 2003, a pilot version is expected in February 2004.

Financial Services Sector Supplement

In September 2003 GRI partnered with UNEP-Finance Initiatives to develop environmental performance indicators specifically for the financial industry. A full working group will be formed by January 2004, with results expected later in the year. This work builds on an earlier partnership with SPI Finance back in 2002 where social indicators for the financial services sector were developed.

Mining and Metals Sector Supplement

GRI partnered with the International Council on Mining and Metals (ICMM) to create a Mining and Metals Sector Supplement to the 2002 Sustainability Reporting Guidelines. The first meeting of the working group occurred in October 2003. A draft for public comment is expected by June 2004.

Public Agency Sector Supplement

GRI launched a process to develop a Sector Supplement to enhance the ability of public agencies to apply the GRI Guidelines in September 2003. GRI completed background research on the state of sustainability reporting in the public sector between September and December 2003. The working group will meet beginning in January 2004, and a draft for public comment is expected in July 2004.

Telecommunications Sector Supplement

In August 2003 GRI released the pilot version of the Telecommunications Sector Supplement for use in conjunction with the GRI 2002 Sustainability Reporting Guidelines. This supplement was developed as part of the NESKEY project funded by the European Commission.

Resource Documents

Resource documents provide additional information or examples on specific topics of frequent interest to GRI users. Topics where some reporters have a strong interest in disclosures beyond the material captured in the Guidelines, or it may include support for specific user-groups seeking to apply the GRI reporting framework to their organisations. Resource documents are a source of additional ideas, expertise, and knowledge to inspire both individual users and future GRI working groups.

HIV/AIDS

With funding from the Bill and Melinda Gates foundation, GRI convened an 18 month multi-stakeholder process based in South Africa to build a comprehensive and credible framework for HIV/AIDS reporting. The resulting resource document was released for use in November 2003 at an event hosted by the South African Human Rights Commission Headquarters in Johannesburg.

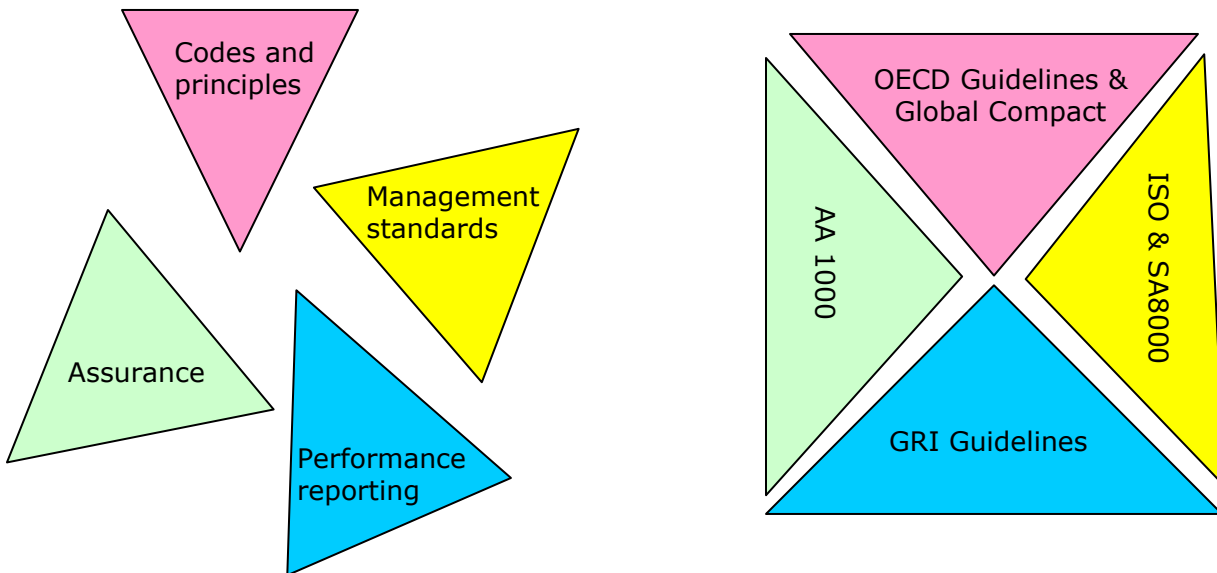
Guidance for Applying the GRI Reporting Framework

Bringing cohesion to the emerging CR landscape

The contours of a coherent international Corporate Responsibility (CR) management framework are emerging. Synergies among initiatives that operate at the global level, have a multi-stakeholder dimension, are voluntary in nature and are generally applicable across sectors and regions are becoming apparent.

Sustainability reporting is only one part of the menu of management measures before an organisation, but can help play a unique role in bringing a sense of cohesion to this emerging CR management landscape.

The emerging CR landscape



CR proliferation?

Or a generally-accepted global CR framework?

OECD Guidelines for Multi-National Enterprises & GRI Guidelines

The OECD Guidelines for MNEs are the only comprehensive code of corporate conduct agreed to by multiple nations. While the OECD Guidelines recommend principles and standards for multinational enterprises, they do not prescribe precise ways in which to measure and report actual behaviour. Where complementarities exist, GRI indicators can be used to help measure and report on performance. A Users' Guide outlining how to apply the GRI Guidelines to reporting on progress with OECD Guidelines for MNE's can be found on the GRI website:

<http://www.globalreporting.org/about/inioecd2.asp>

Global Compact Principles and GRI Guidelines

Hundreds of organisations worldwide have endorsed the United Nations Global Compact and have committed to apply nine principles in the fields of human rights, labour standards, and the environment. Communicating how these principles have been applied, and what progress has been made is an integral part of every organisation's commitment to the Compact. Find out how to use the GRI indicators to report on Global Compact principles in a linkages document prepared collaboratively by GRI and Global Compact:

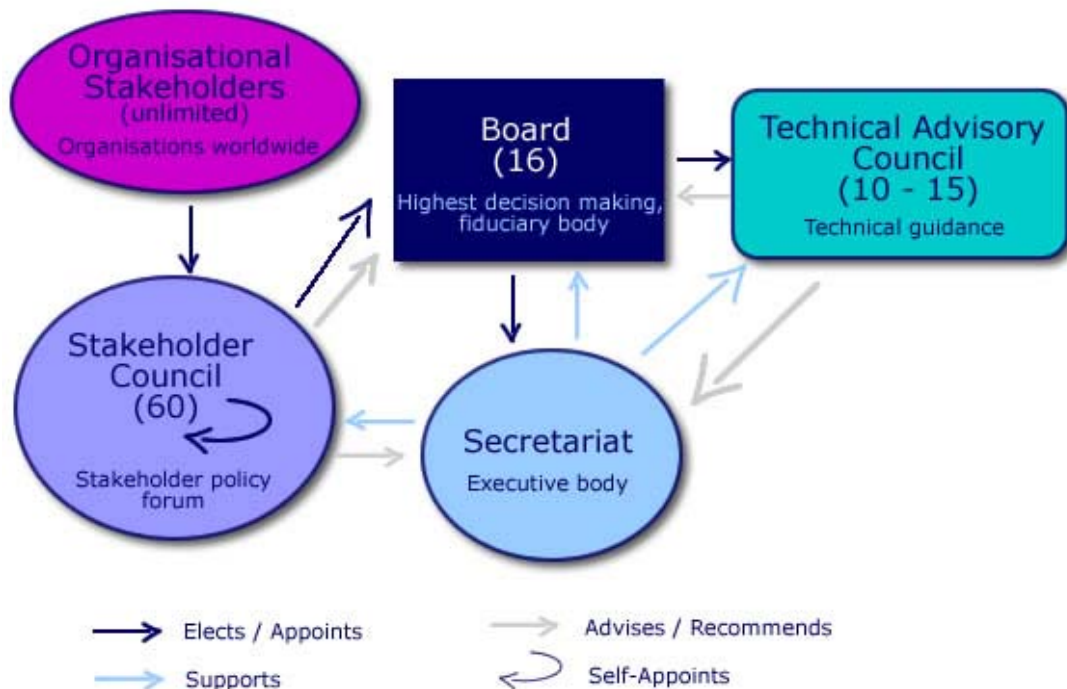
<http://www.globalreporting.org/about/inigcompact.asp>

Sustainability Reporting in Central and Eastern Europe

GRI, in partnership with the International Finance Corporation (IFC), Central European University (CEU), and csr network, initiated a project on introducing corporate sustainability reporting in emerging free market democracies in Central and Eastern Europe (CEE). The Project involved 10 companies from eight countries in the region, in addition to three Western companies and a non-profit organization from Russia. The Project included three principal components: (a) workshops and networking; (b) production of pilot sustainability reports; and (c) research of the regional specifics of CSR and sustainability reporting. The project concluded in 2003 with the production or initiation of sustainability reports by five of the participating companies, and the beginning of the translation of the Guidelines into Russian.

INSTITUTIONAL DEVELOPMENT

The permanent GRI emerged in 2002 as a major new international institution that embodies a multi-stakeholder process and ensures technical excellence in the advancement of sustainability reporting. Key components of the institution, and progress made in their development are outlined below.



Board of Directors

The GRI Board of Directors has the ultimate fiduciary, financial and legal responsibility for the GRI, including final decision making authority on GRI Guidelines revisions, organisational strategy, and work plans. The Board is geographically diverse and represents a broad variety of stakeholder groups. The Board is partially elected by members of the Stakeholder Council. In September 2003 the Board of Directors **re-elected Dr. Judy Henderson** as the Chair. See a full list of GRI Board members on the second page of this document.

Stakeholder Council

The Stakeholder Council is a critical element in GRI's innovative governance structure. It is the formal stakeholder policy forum within the governance structure, where stakeholders are equal partners in charting the future course of the organisation. It is an active multi-stakeholder body for debating

and deliberating key strategic and policy issues facing the GRI. The Stakeholder Council's 60 members have voting rights for the election of the Board, and are balanced across constituencies and geographic regions. Members appointed or elected to the Stakeholder Council commit to acting as individuals broadly representing their stakeholder constituency, not as representatives of their specific organisations.

The current Stakeholder Council was selected in an open process. Over 300 candidates were nominated worldwide, making the selection of the final sixty extremely competitive. Stakeholder Council membership was finalised in the first half of 2003 and its **inaugural meeting was held in Amsterdam in July**. Linda Funnell-Milner (National Australia Bank, Australia) was elected as the chair of the Stakeholder Council. A full list of the Stakeholder Council is available at: <http://www.globalreporting.org/governance/stakeholdercounc.asp>



GRI Stakeholder Council Members, July 2003

Organisational stakeholders

Organisational Stakeholders (OS) -- comprising organisations of any type, size, and location -- are a critical element in GRI's governance structure as they elect Stakeholder Council members, and thus indirectly, Board Members. OS from business, civil society advocacy organisations, labour, and mediating institutions (e.g., foundations, governments) enjoy a range of benefits in return for their support for GRI. OS pay a modest annual fee that

helps GRI continuously improve and develop the reporting framework. OS get the use of a specialty logo, receive discounts on GRI publications and events, among other benefits. The OS campaign began to gather speed by the end of 2003 and 56 organisations had joined the program. See a full list of OS and consider joining today at: www.globalreporting.org/os

Secretariat

After an extraordinary year of changes in 2002, the newly established GRI Secretariat now enjoys a full compliment of staff. Some of the staffers have moved from GRI's previous temporary headquarters in Boston, USA. Others are newly recruited. Drawn from all over the world, they combine many years' experience in a range of stakeholder constituencies, including business, finance, development, NGOs, multi-laterals and governments. GRI staff members hail from 10 different countries and cumulatively speak 20 different languages. A truly global team!

Ernst Ligteringen, Chief Executive

Nancy Bennet	Damir Dragicevic
Sean Gilbert	Henriette Hettinga
Paul Hohnen	Monique Hutten
Naoko Kubo	Fanny Langella
Teodorina Lessidrenska	Tomoo Machiba
Uschi Ruckes	Alyson Slater
Ralph Thurm	Sandra Vijn
Menno Weimans	

The Secretariat would like to extend its deepest thanks secretariat staff that departed during the course of the year. Their early contributions ensured a bright future for GRI's mission and the organisation itself. Thanks to:

- Allen White, co-founder
- Bridget Snell, former Operations Director
- Mark Brownlie, former Communications Director