G4 Development
GOVERNANCE AND REMUNERATION WORKING GROUP
Terms of Reference
12 December 2011
GRI Governance and Remuneration Working Group

TERMS OF REFERENCE

These Terms of Reference (hereafter “ToR”) outline the G4 Working Group (“WG”) workstream on Governance and Remuneration. GRI will select WG members to participate in the development of the next generation of GRI Guidelines - G4. This document describes the mandate, WG structure and composition, procedure, recruitment, commitments and timelines.

INTRODUCTION

The Global Reporting Initiative (GRI) produces a comprehensive Sustainability Reporting Framework that is widely used around the world to enable greater organizational transparency. The Framework, including the Reporting Guidelines, sets out the Principles and Indicators organizations can use to measure and report their economic, environmental, and social performance. GRI is committed to continuously improving and increasing the use of the Guidelines, which are freely available to the public in several languages.

GRI’s mission is to make sustainability reporting standard practice among all types of organizations: GRI’s guidance must be fit for purpose. To achieve this, five main challenges must be met:

- To guide organizations towards defining material sustainability issues
- To help organizations report to their stakeholders
- To promote harmonization of available recognized frameworks and principles
- To provide sustainability reporting guidance suitable for organizations that wish to integrate their financial and sustainability performance data
- To create guidelines that are easily applied by reporters and report information users

The last version of the GRI Guidelines, G3, was launched in 2006 and an updated version, G3.1, was launched in 2011. GRI has now started the development of the fourth generation of GRI Guidelines, G4, to be launched in May 2013.

In line with the challenges identified above, G4 should improve on the content of the G3.1 Guidelines, for example with strengthened technical definitions and improved clarity to help reporters, information users, and assurance providers. It should also facilitate the provision of relevant information to various stakeholder groups.
Open Public Comment Periods, diverse expert WGs and GRI’s approval procedures will help ensure that G4’s guidance is consensus-based and reflects the broadest possible stakeholder input. Several WGs will be involved in developing a first draft of G4, which will be available for public comment in 2012. G4’s final draft will be influenced by the results of this international Public Comment Period. The final draft will be ready for approval by GRI’s governance bodies in late 2012, before the planned launch in May 2013. To learn more about the G4 development process, visit GRI’s website at: www.globalreporting.org.

BACKGROUND

The G3.1 Guidelines include disclosure items around governance and remuneration. Consultation with stakeholders, reporters, experts, Stakeholder Council members and the Technical Advisory Committee (TAC) led to the conclusion that the current content of the governance disclosures needs further development. It was concluded that in G3.1 there is not sufficient emphasis placed on the relationship between governance and sustainability. Certain disclosure items such as board composition are not addressing the needs of different types of reporters (such as non-listed or family-owned organizations), and could be modified to be applicable on a broader scale.

Disclosures around the tools reporting organizations use to implement the strategy such as remuneration and non-monetary incentives can also be modified. A number of recent developments in remuneration reporting need to be considered in relation to the way organizations report governance and remuneration disclosures. These developments are captured in publications that include, but are not limited to, the Green Paper on Corporate Governance in financial institutions and remuneration policies\(^1\) published by the European Commission, Corporate Governance and the Financial Crisis - Conclusions and emerging good practices to enhance implementation of the Principles\(^2\) published by the Organisation for Economic Cooperation and Development, Corporate Governance Principles and Recommendations\(^3\) published by the Australian Securities Exchange, and Global Corporate Governance Principles\(^4\) published by the International Corporate Governance Network.

WG MANDATE

The WG will be tasked with reviewing the governance and remuneration disclosures in the G3.1 Guidelines against current reporting practices and developments in the governance and


\(^3\) Accessed on 21/11/2011.

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remuneration area, taking into account the existing results of research, stakeholder engagement, and expert consultation.

The WG will:

- Review and evaluate governance and remuneration disclosures in a sample of sustainability reports
- Benchmark the G3.1 Guidelines against applicable governance frameworks
- Identify specific sustainability-related aspects of governance and remuneration that are not currently covered in the G3.1 Guidelines
- Identify synergies and gaps between the G3.1 Guidelines and existing frameworks, standards and best practice
- Assess the existing governance and remuneration disclosures in the G3.1 Guidelines for modifications, additions, and deletions

The outputs of the WG will be a set of recommendations to the GRI governance bodies on specific edits to the G3.1 Guidelines, covering changes to governance and remuneration disclosures to:

- Further explore the link between governance and sustainability performance
- Address consistency with existing governance frameworks and developments in the field

The WG will not be responsible for editing the stylistic and grammatical presentation of the deliverables. Such edits will be undertaken by the Secretariat to ensure consistency with existing GRI documents.

**WG STRUCTURE AND COMPOSITION**

WGs are formed by the Secretariat, under the direction of the Board. Selection criteria include expertise, stakeholder diversity and availability. Within these parameters, Stakeholder Council and Technical Advisory Committee (TAC) members are encouraged to participate as observers.

In addition to reflecting regional diversity, WGs must include the following constituencies:

- Business
- Civil Society Advocacy Organizations
- Financial Markets
- Labor
- Mediating Institutions

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5 Financial Markets include asset owners, managers, research, rating and other financial intermediaries.

6 Mediating institutions form a broad category of organizations whose principal function is to provide research, advice, professional services, standards and regulation with regards to the market and/or public relations between reporting entities and their stakeholders. The category includes, but is not restricted to, accountancy, consulting, academic institutions, standard setters and public entities.
PROCEDURE

The Secretariat will convene a multi-stakeholder WG that will be responsible for preparing recommendations for the TAC. The WG will meet (in person) at least once and no more than two times in 2012 in Amsterdam, to complete its work, plus attend a number of webinars. The WG will complete its work in as few meetings as possible.

To establish a baseline reference for the WG, the Secretariat will provide, at a minimum:

- A draft agenda for the first meeting (including objectives for the first meeting)
- A discussion paper comparing the existing governance and remuneration disclosures in the G3.1 Guidelines to the selected governance frameworks and latest developments in the field
- An overview of the current governance and remuneration disclosures within the G3.1 Guidelines
- A discussion paper on current reporting practice for governance and remuneration
- A summary of relevant responses regarding governance and remuneration from the first G4 Public Comment Period

The Secretariat will host a webinar for all WG members before the first meeting to establish initial contact and introduce the members to each other and the Secretariat. This will also provide an opportunity to finalize the agenda and discuss any questions WG members have about the materials.

After the first meeting there will be an interim review of the documents prepared for the second Public Comment Period. Once the outcomes of the meeting have been approved by WG members, the Secretariat will develop a draft submission to the TAC which will be reviewed and discussed in a WG conference call. After TAC approval, the recommendations will form part of the input to the second Public Comment Period.

A second WG meeting will be planned for late 2012 to follow up on comments from the Public Comment Period as required. If the comments are not extensive or controversial, this will be a webinar rather than a face-to-face meeting. The WG will then submit the final recommendations for approval by GRI’s governance bodies in late 2012.

The TAC will review the output of the WG over the course of its development, providing guidance and requesting clarifications as needed.

WG RECRUITMENT

GRI will consider the expertise and experience of the applicants during the recruitment and selection processes for the WG. If an area of expertise is not sufficiently covered in the WG, GRI may decide to undertake outreach activities to engage with organizations from the required area.
The stakeholder participants will be selected on the basis of the following criteria:

- Knowledge of and expertise in the reporting of governance and remuneration
- Relevant knowledge of sustainability and/or annual reporting process
- Familiarity with the needs of sustainability report users
- Related experience with multi-stakeholder initiatives
- Understanding of and willingness to work in a consensus-based multi-stakeholder WG
- Ability to attend all WG meetings in person
- Ability to participate in WG meetings held in English and provide written English feedback when requested

**WG MEMBER COMMITMENTS AND TIMELINES**

WG members are expected to:

- Review the materials provided in advance of the webinars and face-to-face meetings in order to be able to actively participate
- Provide timely feedback on the documents distributed by the Secretariat
- Work in the manner that aims at achieving consensus on the discussed topics
- Contribute actively to ensure the WG outcomes are achieved upon the completion of planned meetings

WGs seek to reach decisions by consensus. Where unanimity cannot be achieved, minority opinions are documented for consideration by the TAC. Proposed resolutions must be communicated to the Board and Stakeholder Council to inform their review and approval of the Guidelines.

The members are to participate in their individual capacity rather than as representatives of their organizations. The members are to act in the public interest with a focus on their role and objectives as described in this ToR.

WG members commit to attending a minimum of one face-to-face WG meeting in Amsterdam of two days (excluding travel time), a number of webinars (see below), and active and timely participation in document reviews. WG members commit to plan sufficient time to review materials to meet deadlines for the milestones outlined below. Please note that the dates in bold text are fixed dates and cannot be changed. The dates for the calls between the first and second meeting and after the second meeting will be agreed during the kick-off meeting.

Upon request, WG members will be eligible for travel and accommodation reimbursement in accordance with GRI policies.
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<thead>
<tr>
<th>Milestone</th>
<th>WG Member Time Commitment</th>
<th>Completion Date</th>
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<tbody>
<tr>
<td>WG Recruitment</td>
<td></td>
<td>13 January 2012</td>
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<tr>
<td>Public Announcement WG Members</td>
<td></td>
<td>20 January 2012</td>
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<tr>
<td>Review agenda and materials for 1st WG meeting</td>
<td>4 hours</td>
<td>23 January – 6 February 2012</td>
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<tr>
<td>Webinar (kick off and preparation for 1st WG meeting)</td>
<td>2 hours</td>
<td>7 February 2012</td>
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<tr>
<td>1st WG meeting (Amsterdam)</td>
<td>16 hours</td>
<td>28 – 29 February 2012</td>
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<tr>
<td>Review of 1st meeting summary</td>
<td>2 hours</td>
<td>9 March 2012</td>
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<tr>
<td>Interim review of documents in preparation for webinar</td>
<td>4 hours</td>
<td>23 March – 30 March 2012</td>
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<td>Webinar</td>
<td>2 hours</td>
<td>30 March 2012</td>
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<tr>
<td>Submission of draft WG recommendations to the TAC</td>
<td>2 hours</td>
<td>20 April 2012</td>
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<tr>
<td>Second Public Comment Period of 90 days</td>
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<td>June – September 2012</td>
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<td>Review Public Comment Period outcomes</td>
<td>8 hours</td>
<td>October 2012</td>
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<tr>
<td>Webinar</td>
<td>2 hours</td>
<td>October 2012</td>
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<tr>
<td>Review draft WG recommendations</td>
<td>8 hours</td>
<td>November 2012</td>
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<td>Webinar</td>
<td>2 hours</td>
<td>November 2012</td>
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<tr>
<td>Submission of final WG recommendations to GRI’s governance bodies</td>
<td>2 hours</td>
<td>November 2012</td>
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**GRI PROJECT MANAGEMENT AND IMPLEMENTATION**

The Secretariat is responsible for overall project management and implementation, including:

- Facilitation of meetings
- Preparation of documents for meetings (including background materials for the first meeting)
- Recording meeting proceedings
- Preparation of draft versions of the recommendations for WG review
- Logistical coordination for meetings
- Communication to the WG
- External communication about the project and its outcomes
DOCUMENTATION AND FINAL PUBLICATION

Documentation related to this activity may be posted on the GRI website at: www.globalreporting.org.

GRI will exercise reasonable judgment in deciding when a specific working document is ready for public posting, keeping in mind the objective of transparency in the overall process.

GRI will supervise the formatting and production of the final recommendations and text changes, and will hold the copyright for the document.