Enabling Smart Policy: The role of GRI Standards
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ABOUT GRI
GRI is an international independent organization that has pioneered corporate sustainability reporting since 1997. GRI helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. GRI’s mission is to empower decision makers everywhere, through its sustainability reporting standards and multi-stakeholder network, to take action towards a more sustainable economy and world.

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Policy as a driver for corporate sustainability

The economic, social and environmental challenges the world is facing make it a necessity for companies to measure, manage and disclose their sustainability information. Policy makers and capital market regulators are enabling this by increasingly issuing policy and regulation on corporate sustainability and transparency.

The growth in policies has resulted in a higher level of disclosure, engaging businesses to build a more resilient and sustainable economy. In some countries, reporting requirements have been introduced by governments (including Sweden, France, Indonesia, South Africa) and in others by market regulators and stock exchanges (such as in Brazil, Malaysia, Singapore, Australia). The main driver for corporate reporting continues to be regulation, according to recent research, and therefore future growth of sustainability reporting largely depends on policy measures.

Around the world, and across industries, companies apply different international norms and normative sustainability frameworks. Reporting brings these together, offering an opportunity to align frameworks, processes and narratives with one common language, coherent throughout different jurisdictions and markets. GRI Standards ensure compliance with internationally agreed frameworks to which governments worldwide are signatories. For this reason, the use of internationally recognized standards in policy, such as GRI Standards, is crucial. GRI Standards are aligned with international instruments such as the United Nations Guiding Principles on Business and Human Rights, the ILO Conventions, the UN Global Compact Ten Principles, and the OECD Guidelines for Multinational Enterprises.

The use of trusted global standards reinforces the value and consistency of the reported information throughout the value chain of business relationships. This consistency allows for benchmarking between and across industries, and helps to enable more accurate and reliable data collection. The increased transparency, confidence and trust achieved by using global standards is crucial for enabling smart policy.

GRI Standards include general standard disclosures for both governance, ethics and integrity issues, including disclosures related to governance structure and composition, remuneration and incentives, internal reporting

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and whistleblowing mechanisms. Many disclosures are also available for economic, social, and environmental issues. Companies that have selected these issues as material through consultation with their key stakeholders can report on indicators on market presence, indirect economic impacts, environmental issues such as pollutants and greenhouse gases emissions, impacts on biodiversity, and on social issues including human rights and child labor.

This publication provides information and guidance for policy makers such as governments, capital market regulators and stock exchanges regarding the way GRI Standards can be used in policies on sustainable development and sustainability reporting. The publication includes reasons why policy-makers should select GRI Standards as the global standard on sustainability reporting, and provides examples of current regulations and best practices for policy creation.
The most widely used standards for sustainability reporting

Sustainability reporting is the practice of public reporting by organizations on their economic, environmental and social impacts. It is a process by which organizations identify their significant impacts and disclose them in accordance with a standardized framework. Reporting enables more informed decisions concerning the relationship of the organization’s activities and its impact on sustainable development.

Globally accepted sustainability reporting standards create a common language for organizations and stakeholders for communicating and understanding organizations’ impacts. They provide a standardized way to describe key impacts on the economy, environment and society, and increase the quality of information for stakeholders, enabling greater accountability.

The GRI G4 Guidelines are the most widely used framework for sustainability reporting in the world, with thousands of reporters in more than 90 countries. Over 40 countries and regions currently reference the GRI G4 Guidelines in their policies, with more than 24 stock exchanges and market regulators worldwide referring to the GRI Guidelines.

The sustainable development agenda has gathered significant pace in the last 12 months and as a result, the role of non-state actors in contributing to addressing some of the world’s most urgent issues is becoming increasingly important. There is a clear indication of continued growth in the global demand for a common reporting language. As the next step, the GRI G4 Guidelines will evolve and transition into a new set of modular, interrelated GRI Standards.

The transition from GRI Guidelines to GRI Standards will allow them to be referenced even more broadly in policy initiatives around the world, supporting greater uptake of credible sustainability reporting. The new modular structure will enable the Global Sustainability Standards Board (GSSB) to update individual standards independently, which will:

- Ensure that the standards remain consistent with authoritative intergovernmental instruments and developments in specific content areas.
- Allow for focused and continuous development of GRI Standards rather than at one specific point in time.
- Give organizations continued confidence that by using GRI Standards, they are reporting in line with global best-practice.

2 Please note that in 2016, the GRI Guidelines (G4) will transition into GRI Sustainability Reporting Standards (GRI Standards). The Global Sustainability Standards Board (GSSB), an independent standard setting body created by GRI, approved plans to transition the GRI G4 Guidelines to GRI Sustainability Reporting Standards (GRI Standards). In future, the GSSB will no longer issue generations of Guidelines as it has done historically. Instead, GRI Standards will be updated on an ongoing basis following public input into the GSSB work program, upholding the importance of the robust multi-stakeholder principle in the development of GRI Standards.
GRI Standards and sustainable development

There is now an accepted understanding that governments are no longer the only responsible agent in building sustainable societies. Corporate actors and the private sector are crucial in creating green growth outcomes and sustainable development. This new paradigm is anchored in international policy areas such as the SDGs, and incorporated into national development and trade policies. This is where GRI serves as a powerful agent for change.

GRI acts as the bridge between businesses and governments, enabling them to make positive contributions to the UN Sustainable Development Goals (SDGs). While business and government leaders may agree with international principles, without guidance on how to put them into practice, little can be accomplished. GRI helps organizations align big picture, principle-based approaches with the reality of data-driven reporting. This is also true of GRI’s work on the SDGs: GRI championed a strong private sector role in the development of the goals – Target 12.6 specifically. GRI Standards can be used by businesses and governments as a tool to communicate their alignment with the SDGs. GRI disclosures are available for all the SDGs, and for most targets (70%).

GRI created the SDG 12.6 Live Tracker to track policy developments and sustainability reporting data for each country in the world. Governments can use the tracker to understand the status of sustainability reporting in their countries and monitor progress towards SDG target 12.6.

Additionally, in partnership with the UN Global Compact and the World Business Council for Sustainable Development, GRI co-created the SDG Compass, which helps businesses understand and contribute to the SDGs. GRI’s work in support of the SDGs empowers the decision making needed to achieve the goals, in line with GRI’s five year focus announced in 2015.
Key reasons for using GRI Standards in policy creation

1 PROMOTE COMPETITIVE, WELL-FUNCTIONING MARKET ECONOMIES

Increasing numbers of organizations have a global role and are impacted by developments around the world. Global standards, such as GRI Standards, enhance the consistency of reported information throughout the value chain of business relationships worldwide. GRI Standards are widely recognized as a trustworthy solution for policy-makers. Using GRI Standards to inform policy can help safeguard the competitiveness of economies by reinforcing the value of the reported information. Reliable information is key for ensuring confidence and trust in the market place.

2 ELEVATE QUALITY OF SUSTAINABILITY REPORTING

Economic actors and stakeholders are increasingly focusing their attention on the quality of information reported. A large body of research provides evidence that using GRI Standards elevates the quality of the information gained from the sustainability reporting process. For example, the World Business Council for Sustainable Development recently published a study ‘Reporting Matters: Redefining performance and disclosure’ which assessed reporting characteristics of 169 reports prepared by some of the world’s largest companies. A set of criteria was used which included principles (including materiality and completeness), content (such as performance, governance and accountability) and experience (such as accessibility). The analysis demonstrated that companies using GRI Standards performed better overall against the set criteria.

3 SHARE SYNERGIES WITH OTHER RELEVANT NORMATIVE SUSTAINABILITY FRAMEWORKS

GRI Standards are developed with the intention of being applied on a globally consistent basis and acknowledge and align with widely recognized international norms and normative frameworks on sustainability. These include the United Nations Guiding Principles on Business and Human Rights, the ILO Conventions, the UN Global Compact Ten Principles, and the OECD Guidelines for Multinational Enterprises. A full list of the References can be found on page 237 of the G4 Implementation Manual. Using GRI Standards enables companies to be transparent about the application of such norms and frameworks.

In addition, GRI has developed concise linkage documents to help reporting companies and stakeholders understand the alignment between GRI Standards and these normative frameworks.

3 Reporting Matters: Redefining performance and disclosure, WBCSD 2015
These publications can be downloaded from the GRI resource library on the GRI website: www.globalreporting.org

4 IMPROVE FOCUS ON WHAT MATTERS: MATERIALITY IS AT THE HEART OF GRI STANDARDS
GRI Standards encourage reporting organizations to only provide information on the issues that are really critical in order to achieve the organization’s goals for sustainability and manage its impact on the environment and society. These are matters directly related to an organization’s core business strategy. The materiality principle enables reporters to be focused on the most relevant issues to their organization and prevents sustainability reporting from becoming a box ticking exercise. In this way, organizations can create more meaningful reports and use the information on a strategic level.

5 DEVELOPED AND APPROVED BY AN INDEPENDENT BODY THROUGH A MULTI-STAKEHOLDER APPROACH
GRI Standards are developed and approved by the Global Sustainability Standards Board (GSSB) which has sole responsibility for setting GRI Standards.

The GSSB works in the public interest and according to the vision and mission of GRI. The GSSB is formed of 15 members who represent the best combination of multi-stakeholder perspective, technical expertise and diversity of experience. The GSSB oversees the GRI Standards Division in the creation of GRI Standards. Members are appointed to the GSSB through a nomination and selection process, which is the responsibility of the Independent Appointments Committee (IAC) to ensure independence in accordance with the public interest.

A ‘Due Process Protocol’ ensures that the development of GRI Standards promotes the public interest and is aligned with GRI’s vision and mission. It ensures that GRI Standards move through a clearly communicated process from project identification, prioritization and commencement through to content development, including public exposure and consideration of feedback received, concluding in the final release.
6 ENABLE THE COMMUNICATION OF VALUABLE INFORMATION TO INVESTORS AND OTHER RELEVANT STAKEHOLDERS

Non-financial information such as disclosures on governance and environmental issues has become an important and influential consideration for investors and analysts. The 2015 OECD Policy Framework for Investment and the UNCTAD Investment Policy Framework for Sustainable Development both recommend policy-makers encourage sustainability reporting to increase transparency and improve access to complete and relevant data.

GRI Standards are used by institutional investors, pension funds and governments worldwide to assess sustainability risks and challenges. Internationally agreed disclosures and metrics, such as the ones contained in GRI Standards enable information contained within sustainability reports to be made accessible and comparable, providing stakeholders with enhanced information to inform their decisions.

7 A FREE PUBLIC GOOD

GRI Standards are designed to be universally applicable to all organizations, large and small, across the world, including governmental institutions, companies, and non-profit organizations. GRI Standards are available for all organizations for free on the GRI website: www.globalreporting.org/standards. GRI Standards are complemented by a detailed Implementation Manual, an online interactive platform, and additional guidance in the form of publications such as a FAQ, sector supplements, and guidance material for SMEs.
Recommendations for referencing GRI Standards in policy

The most recent trends in sustainability reporting show that regulation is the key driver for increasing the number of reports in the various countries. Legislative initiatives have picked up worldwide but there is still much to be done to establish strong and effective policies on sustainability disclosure. The list and graph below show the most impactful ways to reference GRI Standards in policy:

1. GRI Standards are ‘required’ – Governments and market regulators can directly mandate the use of GRI Standards and require companies to use them exclusively. Iceland, Sweden and the Taiwan Stock Exchange have all mandated the use of GRI Standards by companies. For achieving the full benefits stemming from sustainability reporting, it is recommended that policy-makers, especially in mature markets, adopt such an approach.

2. GRI Standards endorsed with ‘automatic compliance’ – GRI Standards can be used as an automatic compliance tool to any government policy or stock exchange guidance on sustainability disclosure. This would mean that if a company has compiled a report in accordance with GRI Standards, it would automatically be compliant with the reporting requirements laid out in the policy. Automatic compliance achieves the intended results of the policy as companies would be given a direction, but allowed the liberty to choose other reporting frameworks. This option also leaves some flexibility for the policy makers to test the policy and the use of GRI Standards. The Malaysian Stock Exchange and Denmark have introduced sustainability reporting with the automatic compliance rule.

![Options for referencing GRI Standards in policy](image-url)
3. **GRI Standards are ‘recommended’** –
Goverments and market regulators may choose to only ‘recommend’ the use of GRI Standards by companies in their policy documents. Ideally, governments should strive to adopt stronger policies on sustainability reporting and take a stand on the use of one reporting framework to provide a clear direction to the companies under their jurisdictions. Recommending GRI Standards in policy documents is, however, a good starting point for the future development of stronger and more effective policies on sustainability reporting. Such an approach would allow testing of the market and the potential for a stronger sustainability policy referencing GRI to be implemented at a later stage.

4. **GRI Standards are ‘mentioned in policy’** –
There are cases where governments and regulators have mentioned GRI Standards in their policy documents. Mentioning GRI Standards in policy documents can be a good starting point for the future development of stronger and more effective policies on sustainability reporting. However, as with option 3, governments should strive to adopt stronger policies on sustainability reporting and take a stand on the use of one reporting framework to provide a clear direction to the companies under their jurisdictions.
Adoption of policies and regulation on sustainability is an ongoing process. The end goal is to have an effective policy with practical and realistic results. Some best practices include:

- Take an incremental approach: Adoption of a sustainability policy following a phased approach by starting with voluntary instruments for two to three years followed by mandatory requirements on sustainability reporting.
- Generate awareness raising activities for both companies and data users, such as civil society organizations and investors.
- Hold public consultations to gather public opinion and support for adopting policies on sustainability.
- Promote capacity building and training for companies.
- Start by focusing on the larger companies in the economy and slowly include smaller companies with less capacity to report on sustainability impacts.
- Consider including state-owned companies and assets to serve as an example to the private sector.
- Provide incentives for reporters such as market and sustainability awards.

A number of governments and stock exchanges are leading the way in their sustainability reporting policies as shown in the map below and explained overleaf.
SWEDEN – GRI REQUIRED

The guidelines are mandatory for Swedish state-owned companies and state that the companies shall present a sustainability report using GRI Guidelines. The guidelines are based on the principle of ‘comply or explain’, which means that a company can deviate from the guidelines if a clear explanation and justification of this departure is provided. The sustainability report shall also be quality assured by independent scrutiny and assurance. For the year 2011, 96%, or 53 of the 55, state-owned companies presented a sustainability report. The two companies that did not present a report were in one case not state-owned any longer, and in the other case had not become state-owned in time to be able to prepare a sustainability report. Of the 53 sustainability reports, 92% were also subject to external assurance.

TAIWAN STOCK EXCHANGE (TWSE) - GRI REQUIRED
Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies, 2015

A list of specified companies began mandatory corporate social responsibility reporting annually from 2015. These include companies from food processing, financial and chemical sectors, as well as companies which have over 50% of their total revenue coming from food and beverage businesses. Large enterprises with paid-in capital of at least $310 million must also comply. Disclosing companies should specify whether the reports have been assured.

BURSA MALAYSIA (MALAYSIAN STOCK EXCHANGE) - AUTOMATIC COMPLIANCE WITH GRI
Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statement in Annual Reports and Issuance of the Sustainability Reporting Guide and Toolkits, 2015

The main Listing Requirements are amended to require the disclosure of a “Sustainability Statement” covering material sustainability issues: “a listed issuer must include in its annual report, a narrative statement of the listed issuer’s management of material economic, environmental and social risks and opportunities’. The amendments provide that companies preparing a GRI report are automatically compliant. These amendments also come with a Sustainability Reporting Guide issued by Bursa Malaysia, where GRI is strongly referenced: concepts such as ESG and materiality are adapted from the GRI Guidelines and GRI is recommended.

EUROPEAN UNION - GRI RECOMMENDED

The Directive amends the 2013 Accounting Directive. Large public interest companies with more than 500 employees must disclose information on policies, risks and outcomes regarding environmental matters, social and employee-related aspects, respect for human rights, anti-corruption and bribery issues, and diversity on boards of directors. They are also required to describe their business model, outcomes and risks of the policies on those topics.
just mentioned, and the diversity policy applied for management and supervisory bodies. Reporting companies are encouraged to rely on recognized frameworks such as GRI Sustainability Reporting Standards, the United Nations Global Compact (UNGC), the UN Guiding Principles on Business and Human Rights, OECD Guidelines, International Organization for Standardization (ISO) 26000 and the International Labour Organization (ILO) Tripartite Declaration.

**NORWAY – GRI RECOMMENDED**

Act amending the Norwegian Accounting Act 2013. The Norwegian Parliament (Storting) passed the proposed ‘Act amending the Accounting Act and certain other Acts (Social Responsibility Reporting)’ on 9 April 2013. The Act introduces provisions requiring large companies to provide information about what they do to integrate considerations for human rights, labor rights and social issues, the environment and anti-corruption in their business strategies, in their daily operations, and in their relations with their stakeholders. As a minimum, the report must contain information about policies, principles, procedures and standards that are followed to integrate these considerations. Subsidiaries are exempt from having to report on social responsibility if the parent company does so for the entire group. The Ministry of Finance has been delegated authority to exempt companies that prepare a public report according to the Global Compact principles or GRI’s Guidelines.

**PHILIPPINES – GRI RECOMMENDED**

Securities and Exchange Commission, Philippine Corporate Governance Blueprint 2015: building a stronger corporate governance framework

This corporate governance blueprint is the SEC’s corporate governance roadmap for the next five years. It is an articulation of the global corporate governance principles as the framework for further strengthening the corporate governance regime in the Philippines. It puts forwards specific and concrete guidelines for all Philippine corporations to adopt, taking into account the Philippine context and the recommended global and ASEAN best practices found in the ASEAN Corporate Governance Scorecard.

**USA – GRI MENTIONED**


The Securities and Exchange Commission published this tool to provide guidance to public companies regarding the Commission’s existing disclosure requirements as they apply to climate change matters. GRI is mentioned as one of the possible reporting frameworks.
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