### Item 03: Draft SRS 101: Foundation Standard

For GSSB Discussion and Feedback

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<td>4 February 2016</td>
</tr>
<tr>
<td><strong>Project</strong></td>
<td>Transition to GRI Standards</td>
</tr>
<tr>
<td><strong>Description</strong></td>
<td>As part of the move to become a standard setter, the Global Sustainability Standards Board (GSSB) has decided that the G4 Guidelines need to be transitioned to Sustainability Reporting Standards (SRS Standards). This paper presents the draft Foundation Standard, which includes the In-Accordance Criteria and Reporting Principles.</td>
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</tbody>
</table>
About this version – background for the GSSB

This paper sets out a revised draft of the SRS 101: Foundation Standard, which includes the In Accordance criteria and the Reporting Principles.

This draft has been substantially revised since December based on GSSB feedback and also with input from an external standards-writing expert, who led a workshop with the GRI Standards team in January.

Summary of main changes:

a) Overall Structure: The SRS has been restructured to be more clear and accessible to users, and particularly to reduce confusion related to the In Accordance sections. The new structure is as follows:

- **Introduction** – this includes all mandatory background information (Responsibility for this standard, About the SRSs, Normative References, Effective Date, etc.). A shortened version of this will be included in each SRS. Note: There is a placeholder now for a new background section on Sustainable Development and the purpose of sustainability reporting– this content still needs to be developed.

- **About this Standard** – describes what’s in each section of the document, to help readers more easily navigate the document. It also gives a preview of the ‘claims’ (i.e. In Accordance options) that can be made.

- **Using the SRSs for sustainability reporting** – this is a new section which incorporates some of the guidance from the G4 Implementation Manual. This is the real ‘meat’ of the Foundation Standard and sets out the process through which organizations should use the full set of SRSs to prepare sustainability reports. It ties together how organizations are expected to apply the Reporting Principles (found in section 4) and how they are expected to use each category of SRSs.

- **Making claims related to the SRSs** – this is a revised section based on the In Accordance options. Feedback from G4 reports and from our external expert suggested that having the In Accordance section upfront is confusing, especially for new users who aren’t familiar with G4. Outcomes of our standard-writing workshop also suggested that In Accordance criteria should be related more clearly to the ‘claims’ that organizations can make, based on how extensively they have used the SRSs and the number and nature of disclosures made.

This new framing puts more emphasis on organizations following the overall process described in Section 2, rather than getting confused by the In Accordance options from the beginning. Based on how extensively the SRSs have been applied and the number of disclosure requirements made, the organization can then choose to make different categories of ‘claims’ such as “In Accordance: Core”.

- **The Reporting Principles** – this section includes the full set of Principles for Defining Report Content and Quality, along with associated guidance text from G4 Implementation Manual.

b) **In-Accordance options** (now referred to as ‘claims’): the existing Core and Comprehensive options have been carried through from G4, although both levels now require the reporting organization to comply with the Foundation Standard (and therefore the Reporting Principles). A new claim option
has been introduced -  *SRS-referenced* - which applies to anyone using individual SRSs without meeting the In Accordance criteria. The GSSB is asked to review and comment on the current draft criteria for making an ‘SRS-referenced’ claim (see questions below)

c) **Requirements vs. guidance:** Throughout the document, the distinction between ‘requirements’ and ‘guidance’ has been clarified, so that users can clearly understand which sections are mandatory and which sections offer background context or examples.

d) **Reporting Principles:** Following feedback from the GSSB in December, each Principle is now named separately (e.g., Stakeholder Inclusiveness Principle). However, the principles have been left as-is from G4 with respect to wording – the Standards team has not gone through and rephrased them as ‘shall’ requirements. Feedback from our external standards-writing expert suggested that it is better practice to allow these to remain as ‘principles’, and to build any requirements into other sections of the standard, which can then reference the Principles. The related requirements for use of the Principles are now in Section 2 ‘Using the SRSs for Sustainability Reporting.’

e) **Numbering the set of SRSs:** This SRS now uses the ‘series’ numbering system discussed with the GSSB in December. Each category of SRSs has a unique number series (e.g., 101 for the Foundation Standard, 200 for General Disclosures, 400 for Economic Topics, etc.). This system aims to help users distinguish between the different types of SRSs based on the series numbering, once they are familiar with the new system.

f) **Numbering within the SRS:** This has been revised based on GSSB input and advice from an external standards-writing expert. Each requirement (clause) is now numbered separately, which will allow future versions to insert or delete clauses without affecting the overall hierarchy. There is a single consistent numbering system within each SRS.

**Feedback requested from the GSSB:**

**Question 1: General Structure**
Overall, do you agree with the new structure of this SRS? Are there ways we can help users better understand and navigate this document?

**Question 2: Applying the Reporting Principles** (lines 168-172)
a) Do you agree that the Foundation Standard should require reporting organizations to apply all the Reporting Principles and to document how they have been applied?

b) If you agree with a), should a new Indicator (disclosure requirement) be added into the Foundation Standard, which would replace G4-18? Or should G4-18 be expanded to also include the Principles for Defining Report Quality? (currently G4-18 only requires an explanation of how the Report Content principles have been applied)

**Question 3: SRS-referenced claims** (lines 279-280): Do you agree with the draft proposed criteria for organizations wishing to make an ‘SRS-referenced’ claim? If not, what specific amendments would you recommend?
**Question 4: Guidance for Reporting Principles (lines 311-695):** Are there sections of the guidance related to the Reporting Principles which need to be revised, deleted, or moved into the requirements section?
Sustainability Reporting Standard (SRS) 101: Foundation Standard 2016
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Discussion document - This document does not represent an official position of the GSSB.
# Introduction

## A. About the Sustainability Reporting Standards (SRSs)

The Sustainability Reporting Standards (SRSs) are designed to be used by organizations for reporting information about their contribution to sustainable development. This means information about key economic, environmental and social impacts, and other measures of performance.¹

[Will add in here a new infographic (to be developed) showing how the SRSs can be used together]

The SRSs are structured as a set of interrelated standards, and are divided into six sections or series:

<table>
<thead>
<tr>
<th>Series</th>
<th>Description</th>
<th>Type of disclosures within the SRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>100: Foundational</td>
<td>SRS 101: Foundation is mandatory for any organization using the SRSs and is the entry point for navigating them. SRS 101 describes how organizations should use the SRSs to report sustainability information, sets out the Reporting Principles for determining report quality and content, and specifies the different claims that organizations can make about their use of the SRSs. There are no specific disclosure requirements within the Foundation standard.</td>
<td>Not applicable</td>
</tr>
<tr>
<td>200: General Disclosures</td>
<td>Series 200 SRSs set out general disclosures requirements for contextual information about the reporting organization and its sustainability reporting practice. These SRSs include disclosure requirements on the organization’s governance structure, stakeholder engagement approach, and strategy and analysis. They also ask for information about its sustainability report, such as the reporting process.</td>
<td>General disclosures</td>
</tr>
<tr>
<td>300: Management Approach</td>
<td>SRS 301: Management Approach sets out management disclosures on the organization’s management approach. This SRS is designed to be applied together with any material topic, including the topic-specific SRSs (Series 400, 500, 600), or other material topics identified by the organization. Applying SRS 301: Management Approach together with each material topic ensures the reporting organization provides a narrative description of how they manage impacts for a given topic, in addition to reporting on the topic-specific disclosure requirements.</td>
<td>Management disclosures</td>
</tr>
<tr>
<td>400: Economic Topics</td>
<td>The SRS 400, 500, and 600 series include SRSs on various economic, environmental, and social topics. Each SRS in these series contains specific topic disclosures which relate to that individual topic.</td>
<td>Topic disclosures</td>
</tr>
<tr>
<td>500: Environmental Topics</td>
<td>Reporting organizations apply the Principles for Defining Report Content from SRS 101: Foundation to identify which economic, social, or environmental topics are material for their organization. These material topics form the basis for the sustainability report and determine which of the subsequent topic-specific SRSs (Series 400, 500, 600) will be relevant.</td>
<td></td>
</tr>
<tr>
<td>600: Social Topics</td>
<td></td>
<td></td>
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</tbody>
</table>

¹ In SRSs, the term ‘sustainability’ is intended to be understood as sustainable development. See the World Commission on Environment and Development. Our Common Future. Oxford: Oxford University Press, 1987, p.43. See also the Glossary in this SRS.
B. Responsibility for this standard

This GRI Sustainability Reporting Standard (SRS) is issued by the Global Sustainability Standards Board (GSSB). It is part of the set of GRI Sustainability Reporting Standards, or SRSs. The GSSB is an independent standard-setting body created by GRI. It has responsibility for setting globally-accepted sustainability reporting standards, according to a due process. More information on GRI’s standard-setting process can be found here:

C. Scope

SRS 101: Foundation is the entry point for using the set of SRSs to compile and report sustainability information. Sustainability information refers to information on topics and organizational characteristics that are considered vital for understanding an organization’s contribution to sustainable development. This SRS is also intended to ensure that the information reported using SRSs is meaningful and of high quality.

SRS 101 is applicable to organizations of any size, type, sector, or geographic location. This standard:

- specifies different options for using the set of SRSs, including mandatory criteria for developing sustainability reports that are considered to be In Accordance with the SRSs
- introduces the Reporting Principles, which underpin the practice of sustainability reporting and guide choices on which information to report and how

It is important that organizations are familiar with SRS 101: Foundation before using any of the other SRSs.

D. Normative References

SRS 101: Foundation needs to be applied with the following normative documents:

- SRS Glossary of Terms

E. Effective Date

This SRS is effective as of [DATE].

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2 This document, designed to promote sustainability reporting, has been developed through a unique multi-stakeholder consultative process involving representatives from organizations and report information users from around the world. While the GRI Board of Directors encourage use of the Sustainability Reporting Standards (SRSs) by all organizations, the preparation and publication of reports based fully or partially on the SRSs is the full responsibility of those producing them. Neither the GRI Board of Directors nor Stichting Global Reporting Initiative can assume responsibility for any consequences or damages resulting directly or indirectly, from the use of the SRSs in the preparation of reports or the use of reports based on the SRSs.

3 Where the term ‘topic’ is used in the SRSs, it is to be understood as a sustainability topic.
F. Background on Sustainable Development and Sustainability Impacts
SRS 101: Foundation Standard

1 About this standard

SRS 101: Foundation is the entry point for organizations that wish to use the set of Sustainability Reporting Standards (SRSs) to report sustainability information. The SRSs are designed to be used together as a set of interlinked standards to help organizations to prepare sustainability reports. Although some organizations might choose to use sections of the SRSs individually, the greatest benefit is achieved through using the set of SRSs together to develop a sustainability report that is based on the Reporting Principles and which focuses on material topics.

Section 2 of this standard (‘Using the Sustainability Reporting Standards for sustainability reporting’) explains how organizations are expected to use the SRSs together as a basis for preparing a sustainability report. This section includes fundamental requirements for organizations on how to apply the Reporting Principles, and how to combine the SRSs together to prepare a sustainability report which focuses on material topics.

Section 3 of this standard (‘Making claims related to the Sustainability Reporting Standards’) defines the various claims that organizations can make related to their use of the SRSs. Organizations that use the SRSs or their contents to report sustainability information can make three types of claims, depending on the extent to which they have used the SRSs and the number of disclosures made.

Organizations that use the SRSs as an overall framework for preparing sustainability reports, and which meet specific criteria, can make a claim that their sustainability report is In Accordance with the SRSs. Declaring that a report has been prepared In Accordance is a public statement of credibility which signals that the report is based on the Reporting Principles and provides adequate disclosures for understanding the nature of the reporting organization, its material impacts, and how these impacts are managed. There are two options for applying the In Accordance criteria: Core and Comprehensive.

Any published materials with content based on the SRSs but which does not meet the In Accordance criteria should include a specific ‘SRS-referenced’ claim. The various claim options are summarized below, with more detail in section 3.

<table>
<thead>
<tr>
<th>Claim option</th>
<th>The claim that can be made</th>
<th>What this means</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Accordance:</td>
<td>This report has been prepared In Accordance with the SRSs: Comprehensive option.</td>
<td>The sustainability report has been prepared following section 2 of the Foundation Standard (‘Using the SRSs for sustainability reporting’), and the organization has reported all the disclosure requirements for the Comprehensive option (refer to table ZZ).</td>
</tr>
<tr>
<td>Core</td>
<td>This report has been prepared In Accordance with the SRSs: Core option.</td>
<td>The sustainability report has been prepared following section 2 of the Foundation Standard (‘Using the SRSs for sustainability reporting’), and the organization has reported all the disclosure requirements for the Core option (refer to table ZZ).</td>
</tr>
<tr>
<td>SRS-referenced</td>
<td>This report references [name of the SRS: publication year]; plus a statement explaining how the SRSs have been used.</td>
<td>The sustainability report or other published material uses the SRSs or sections from the SRSs, but does not meet the criteria for In Accordance: Core or Comprehensive.</td>
</tr>
</tbody>
</table>
Section 4 of this SRS presents the ten Reporting Principles, with additional guidance to help organizations understand and integrate them into their sustainability reporting process. The Reporting Principles are fundamental for helping organizations decide which information to include in a sustainability report and how to ensure the information is of high quality.

<table>
<thead>
<tr>
<th>Principles for Defining Report Content</th>
<th>Principles for Defining Report Quality</th>
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</thead>
<tbody>
<tr>
<td>• Stakeholder Inclusiveness Principle</td>
<td>• Balance Principle</td>
</tr>
<tr>
<td>• Sustainability Context Principle</td>
<td>• Comparability Principle</td>
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<tr>
<td>• Materiality Principle</td>
<td>• Accuracy Principle</td>
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<tr>
<td>• Completeness Principle</td>
<td>• Timeliness Principle</td>
</tr>
<tr>
<td></td>
<td>• Clarity Principle</td>
</tr>
<tr>
<td></td>
<td>• Reliability Principle</td>
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</tbody>
</table>

2 Using the Sustainability Reporting Standards for sustainability reporting

Guidance:
This section sets out how the set of Sustainability Reporting Standards (SRSs) are used by reporting organizations to prepare a sustainability report.

These requirements guide organizations through the process of preparing a sustainability report in which:

- the Reporting Principles have been applied
- disclosures giving contextual information about the organization have been made
- all topics that are material have been reported on

Applying the Reporting Principles

2.1 The reporting organization shall apply all Reporting Principles from section 4 to define report content and quality.

2.1.1 The reporting organization shall document how the Reporting Principles have been applied.

Reporting General Disclosures

2.2 The reporting organization shall report the required disclosures from SRS 201: General Disclosures

Guidance: If the reporting organization wants to make a claim of being In Accordance with the SRSs, there are specific disclosures from the General Disclosures SRSs (Series 200) which need to be reported. These disclosures cover contextual information about the reporting organization and the reporting process.
Identifying and reporting on material topics

2.3 The reporting organization shall define a list of material topics, using the Materiality Principle.

2.3.1 The reporting organization shall identify the boundary for each material topic, based on where the impacts occur.

Guidance: A boundary refers to the description of where impacts occur. This includes impacts which the reporting organization causes, contributes to, or is linked to indirectly through its relationships with other entities. Therefore the boundary for a given topic can include entities within the reporting organization, outside the reporting organization, or both. The list of boundaries for each material topic is reported under General Disclosure XX (formerly G420/21). Refer to section XX of SRS 201 for additional information and guidance on setting boundaries.

2.4 For each material topic which is covered by an existing SRS, the reporting organization shall:

2.4.1 report the management disclosures for that topic, using SRS 301: Management Approach

2.4.2 report the topic disclosures set out in the SRS for the topic

2.5 For each material topic which is not covered by an existing SRS, the reporting organization shall:

2.5.1 report the management disclosures for that topic, using SRS 301: Management Approach

2.5.2 report other appropriate disclosures for that topic

Guidance: Appropriate disclosures can include sector-specific or self-developed disclosures. These should be subject to the SRSs’ Reporting Principles and have the same technical rigor as topic disclosures in the SRSs.

Documenting reasons for omission

2.6 If a required disclosure cannot be made, the reporting organization shall provide in the sustainability report a reason for omission which includes:

2.6.1 the specific information which has been omitted

2.6.2 one of the following explanations as to why the information has been omitted:

(a) Not applicable
(b) Confidentiality constraints
(c) Specific legal prohibitions
(d) Unavailability of the data

2.6.3 Where a disclosure is omitted due to unavailability of the data, the organization shall disclose the steps being taken to obtain the information and the expected timeframe for doing so.

Guidance:
The table below provides additional information to help the reporting organization select the most appropriate reason for omission. Note that reasons for omission do not apply to some required disclosures if the reporting organization wishes to make an ‘In Accordance’ claim – see table ZZ for further information.

<table>
<thead>
<tr>
<th>Reason for omission</th>
<th>What this means</th>
<th>What to disclose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Applicable</td>
<td>A disclosure requirement - or part of it - is not applicable. This means that it cannot be used by the organization or the results coming from the</td>
<td>Reason why it is considered to be not applicable should be disclosed</td>
</tr>
</tbody>
</table>
### Reporting required disclosures using references

2.1 If the reporting organization reports a required disclosure using a reference to another source where the information can be located, the reporting organization shall ensure:

- 2.1.1 the reference includes the specific location of the required disclosure
- 2.1.2 the referenced information is publicly available and readily accessible

**Guidance:** [text from G4 guidelines p13, with minor amendments]

Information related to required disclosures options may already be included in other reports prepared by the organization, such as its annual report to shareholders or other regulatory or voluntary reports. In these circumstances, the organization can elect to not repeat those disclosures in its sustainability report and instead add a reference to where the relevant information can be found.

This presentation is acceptable as long as the reference is specific (for example, a general reference to the annual report to shareholders would not be acceptable, unless it includes the name of the section, table, etc.) and the information is publicly available and readily accessible. This is likely the case when the sustainability report is presented in electronic or web based format and links are provided to other electronic or web based reports.

**Medium of Reporting**

Electronic or web-based reporting and paper reports are appropriate media for reporting. Organizations may choose to use a combination of web and paper-based reports or use only one medium. For example, an organization may choose to provide a detailed report on their website and provide an executive summary including their strategy and analysis and performance information in paper form. The choice will likely depend on the organization’s decisions on its reporting period, its plans for updating content, the likely users of the report, and other practical factors, such as its distribution strategy.

At least one medium (web or paper) should provide users with access to the complete set of information for the reporting period.
3 Making claims related to the Sustainability Reporting Standards

In Accordance Claims

3.1 In order to claim that a sustainability report meets the In Accordance: Comprehensive criteria, the reporting organization shall:

3.1.1 comply with all process and disclosure requirements for the In Accordance: Comprehensive option, as per Table ZZ.

3.1.2 include in all published materials that refer to the SRSs the following statement: ‘This report has been prepared In Accordance with the SRSs: Comprehensive option’.

3.2 In order to claim that a sustainability report meets the In Accordance: Core criteria, the reporting organization shall:

3.2.1 comply with all process and disclosure requirements for the In Accordance: Core option, as per Table ZZ.

3.2.2 include in all published materials that refer to the SRSs the following statement: ‘This report has been prepared In Accordance with the SRSs: Core option’.

Guidance [revised based on existing text from G4 Guidelines p 11]

Organizations that follow the requirements in section 2 of this standard to develop their sustainability report and which complete a specified number of required disclosures can declare that their report is In Accordance with the SRSs. The specific criteria required to make these claims can be found in Table ZZ.

There are two options for preparing an In Accordance report:

• The Core option contains the essential elements of a sustainability report. The Core option provides the background against which an organization communicates the impacts of its economic, environmental and social and governance performance.

• The Comprehensive option builds on the Core option by requiring additional information on the organization’s strategy and analysis, governance, and ethics and integrity. In addition, the organization is required to communicate its performance more extensively by reporting all disclosure requirements for each identified material topic.

The options do not relate to the quality of the report or to the performance of the organization. They reflect the compliance of the organization’s sustainability report with the SRSs. The focus of both options is on the process of identifying material topics. Material topics are those that reflect the organization’s significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders.

Regardless of its level of experience in sustainability reporting, an organization should choose the option that best meets its reporting needs and, ultimately, enables it to meet its stakeholders’ information needs.
Table ZZ: Criteria for making claims related to the Sustainability Reporting Standards

<table>
<thead>
<tr>
<th>Type of claim</th>
<th>In Accordance: Core claim</th>
<th>In Accordance: Comprehensive claim</th>
<th>SRS-referenced claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claim that can be made about the use of the SRSs</td>
<td>‘This report has been prepared In Accordance with the SRSs: Core option’</td>
<td>‘This report has been prepared In Accordance with the SRSs: Comprehensive option’</td>
<td>‘This document references SRS [number]: [Name] [Publication Year]’; plus an explanation of how the SRSs have been used</td>
</tr>
<tr>
<td>Requirements to make the claim</td>
<td>Comply with requirements in section 2 (‘Using the SRSs for sustainability reporting’)</td>
<td>Comply with requirements in section 2 (‘Using the SRSs for sustainability reporting’)</td>
<td>Required to apply the Principles for Defining Report Quality from section 4.2</td>
</tr>
<tr>
<td>SRS: 101: Foundation General Disclosures</td>
<td>Report all general disclosures except for: 201-12 through 201-17 201-20 [to be updated]</td>
<td>Report all general disclosures</td>
<td>Optional</td>
</tr>
<tr>
<td>SRS 201: General Disclosures</td>
<td>Report the management disclosures for every material topic identified</td>
<td>Report the management disclosures for every material topic identified</td>
<td>Recommended for every material topic identified</td>
</tr>
<tr>
<td>301: Management Approach</td>
<td>Report at least one topic disclosure for the material topic</td>
<td>Report all topic disclosures for the material topic</td>
<td>Report at least one topic disclosure for the material topic</td>
</tr>
<tr>
<td>Topic-specific SRSs (SRS 400, 500, and 600 series), if identified as material.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notifying GRI of In Accordance reports

3.3 If the reporting organization makes an In Accordance claim as in 3.1 or 3.2, the organization shall notify GRI of the release of the report by either:

3.3.1 sending a paper or electronic copy of the report, or

3.3.2 registering the report in GRI’s Sustainability Disclosure Database: database.globalreporting.org

SRS-referenced claims
3.4 If the reporting organization uses the SRSs or their contents to report sustainability information, but does not meet the In Accordance criteria specified in Table ZZ, the reporting organization:

3.4.1 Shall ensure that any topic-specific SRS (series 400, 500, or 500) is applied together with section 4.2 of the SRS 101: Foundation (Principles for Determining Report Quality)

3.4.2 Should use SRS 301: Management Approach to report the management approach for a material topic when using any topic-specific SRS (series 400, 500, or 500)

3.4.3 Shall include in any published material with contents based on the SRSs a statement that:

- 3.4.3.1 Has the following wording: ‘This document references SRS [number]: [Name] [Publication Year]’, and
- 3.4.3.2 Clearly explains how the SRSs or their contents have been used.

**Guidance:**

When organizations choose to use individual SRSs without meeting the In Accordance criteria from Table ZZ, it is still important that the SRSs on specific sustainability topics (i.e., series 400, 500, and 600) are always used together with the Principles on Defining Report Quality and SRS 301: Management Approach.

The principles on Defining Report Quality help to ensure that the information reported is accurate and of high quality. The quality of the information is important for enabling stakeholders to make sound and reasonable assessments of performance, and take appropriate action.

The use of SRS 301: Management Approach is necessary to ensure the reporting organization provides a full picture of how their impacts are being managed for any material topic. Therefore, every topic-specific SRS (series 400, 500, or 600) is to be used together with SRS 301: Management Approach. In some cases, topic-specific SRSs require additional information on the management approach for that particular topic.
4 The Reporting Principles

Guidance: [from G4 Implementation Manual]

The Reporting Principles are fundamental to achieving transparency in sustainability reporting and therefore should be applied by all organizations when preparing a sustainability report. The Implementation Manual outlines the required process to be followed by an organization in making decisions consistent with the Reporting Principles.

The Principles are divided into two groups: Principles for Defining Report Content and Principles for Defining Report Quality.

The Principles for Defining Report Content guide decision to identify what content the report should cover by considering the organization’s activities, impacts, and the substantive expectations and interests of its stakeholders.

The Principles for Defining Report Quality guide choices on ensuring the quality of information in the sustainability report, including its proper presentation. The quality of the information is important to enable stakeholders to make sound and reasonable assessments of performance, and take appropriate actions.

Each of the Principles consists of a definition, an explanation on how to apply the Principle and tests. The tests are intended to serve as tools for self-diagnosis, but not as specific disclosures to report against.

4.1 Principles for Defining Report Content

Stakeholder Inclusiveness Principle

The organization should identify its stakeholders, and explain how it has responded to their reasonable expectations and interests.

GUIDANCE

Applying the Principle:

Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organization’s activities, products, and services; and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives. This includes entities or individuals whose rights under law or international conventions provide them with legitimate claims vis-à-vis the organization.

Stakeholders can include those who are invested in the organization (such as employees, shareholders, suppliers) as well as those who have other relationships to the organization (such as vulnerable groups within local communities, civil society).

The reasonable expectations and interests of stakeholders are a key reference point for many decisions in the preparation of the report. However, not all of an organization’s stakeholders will use the report. This presents challenges in balancing the specific interests and expectations of stakeholders who can reasonably be expected to use the report with broader expectations of accountability to all stakeholders.
For some decisions, such as the report Scope or Aspect Boundaries, the organization considers the reasonable expectations and interests of a wide range of stakeholders. There may be, for example, stakeholders who are unable to articulate their views on a report and whose concerns are presented by proxies. There may also be stakeholders who choose not to express views on reports because they rely on different means of communication and engagement.

The reasonable expectations and interests of these stakeholders should still be acknowledged in decisions about the content of the report. However, other decisions, such as the level of detail required to be useful to stakeholders, or expectations of different stakeholders about what is required to achieve clarity, may require greater emphasis on those who can reasonably be expected to use the report. It is important to document the processes and approach taken in making these decisions.

The process of stakeholder engagement may serve as a tool for understanding the reasonable expectations and interests of stakeholders. Organizations typically initiate different types of stakeholder engagement as part of their regular activities, which can provide useful inputs for decisions on reporting. These may include, for example, stakeholder engagement for the purpose of compliance with internationally recognized standards, or informing ongoing organizational or business processes. In addition, stakeholder engagement may also be implemented specifically to inform the report preparation process. Organizations may also use other means such as the media, the scientific community, or collaborative activities with peers and stakeholders. These means help the organization better understand stakeholders’ reasonable expectations and interests.

When the process of stakeholder engagement is used for reporting purposes, it should be based on systematic or generally accepted approaches, methodologies, or principles. The overall approach should be sufficiently effective to ensure that stakeholders’ information needs are properly understood.

It is important that the process of stakeholder engagement is capable of identifying direct input from stakeholders as well as legitimately established societal expectations. An organization may encounter conflicting views or differing expectations among its stakeholders, and may need to be able to explain how it balanced these in reaching its reporting decisions.

For the report to be assurable, it is important to document the process of stakeholder engagement. The organization documents its approach for defining which stakeholders it engaged with, how and when it engaged with them, and how engagement has influenced the report content and the organization’s sustainability activities.

Failure to identify and engage with stakeholders is likely to result in reports that are not suitable, and therefore not fully credible, to all stakeholders. In contrast, systematic stakeholder engagement enhances stakeholder receptivity and the usefulness of the report. Executed properly, it is likely to result in ongoing learning within the organization and by external parties, as well as increase accountability to a range of stakeholders. Accountability strengthens trust between the organization and its stakeholders. Trust, in turn, fortifies report credibility.

Tests:

- The organization can describe the stakeholders to whom it considers itself accountable
- The report content draws upon the outcomes of stakeholder engagement processes used by the organization in its ongoing activities, and as required by the legal and institutional framework in which it operates
- The report content draws upon the outcomes of any stakeholder engagement processes undertaken specifically for the report
- The stakeholder engagement processes that inform decisions about the report are consistent with the Scope and Aspect Boundaries
Sustainability Context Principle

The report should present the organization's performance in the wider context of sustainability.

GUIDANCE

Applying the Principle:

Information on performance should be placed in context. The underlying question of sustainability reporting is how an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental and social conditions, developments and trends at the local, regional or global level. Reporting only on trends in individual performance (or the efficiency of the organization) fails to respond to this underlying question. Reports should therefore seek to present performance in relation to broader concepts of sustainability. This involves discussing the performance of the organization in the context of the limits and demands placed on environmental or social resources at the sector, local, regional, or global level. For example, this can mean that in addition to reporting on trends in eco-efficiency, an organization may also present its absolute pollution loading in relation to the capacity of the regional ecosystem to absorb the pollutant.

This concept is often most clearly articulated in the environmental arena in terms of global limits on resource use and pollution levels. However, it may also be relevant with respect to social and economic objectives such as national or international socio-economic and sustainable development goals. For example, an organization may report on employee wages and social benefit levels in relation to nation-wide minimum and median income levels, and the capacity of social safety nets to absorb those in poverty or those living close to the poverty line.

Organizations operating in a diverse range of locations, sizes, and sectors need to consider how to best frame their overall organizational performance in the broader context of sustainability. This may require distinguishing between topics or factors that drive global impacts (such as climate change) and those that have more regional or local impacts (such as community development). When reporting on topics that have positive or negative local impacts, it is important to provide insight into how the organization affects communities in different locations. Similarly, distinctions may need to be made between trends or patterns of impacts across the range of operations versus contextualizing performance location by location.

The organization’s own sustainability and business strategy provides the context in which to discuss performance. The relationship between sustainability and organizational strategy should be made clear, as should the context within which performance is reported.

Tests:

- The organization presents its understanding of sustainable development and draws on objective and available information as well as measures of sustainable development for the topics covered in the report
- The organization presents its performance with reference to broader sustainable development conditions and goals, as reflected in recognized sectoral, local, regional, or global publications
- The organization presents its performance in a manner that attempts to communicate the magnitude of its impact and contribution in appropriate geographical contexts
- The report describes how sustainability topics relate to long-term organizational strategy, risks, and opportunities, including supply chain topics

Materiality Principle
The report should cover topics that:

- Reflect the organization’s significant economic, environmental and social impacts; or
- Substantively influence the assessments and decisions of stakeholders

GUIDANCE

Applying the Principle:

Organizations are faced with a wide range of topics on which they could report. Relevant topics are those that may reasonably be considered important for reflecting the organization’s economic, environmental and social impacts, or influencing the decisions of stakeholders, and, therefore, potentially merit inclusion in the report.

Materiality is the threshold at which Aspects become sufficiently important that they should be reported. Beyond this threshold, not all material Aspects are of equal importance and the emphasis within a report should reflect the relative priority of these material Aspects.

In financial reporting, materiality is commonly thought of as a threshold for influencing the economic decisions of those using an organization’s financial statements, investors in particular. The concept of a threshold is also important in sustainability reporting, but it is concerned with a wider range of impacts and stakeholders. Materiality for sustainability reporting is not limited only to those Aspects that have a significant financial impact on the organization.

Determining materiality for a sustainability report also includes considering economic, environmental and social impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations. These material Aspects often have a significant financial impact in the short term or long term on an organization. They are therefore also relevant for stakeholders who focus strictly on the financial condition of an organization.

A combination of internal and external factors should be used to determine whether an Aspect is material, including factors such as the organization’s overall mission and competitive strategy, concerns expressed directly by stakeholders, broader social expectations, and the organization’s influence on upstream (such as supply chain) and downstream (such as customers) entities. Assessments of materiality should also take into account the basic expectations expressed in the international standards and agreements with which the organization is expected to comply.

These internal and external factors should be considered when evaluating the importance of information for reflecting significant economic, environmental and social impacts, or stakeholder decision making. A range of established methodologies may be used to assess the significance of impacts. In general, ‘significant impacts’ refer to those that are a subject of established concern for expert communities, or that have been identified using established tools such as impact assessment methodologies or life cycle assessments. Impacts that are considered important enough to require active management or engagement by the organization are likely to be considered to be significant.

The report should emphasize information on performance regarding the most material Aspects. Other relevant topics can be included, but should be given less prominence in the report. The process by which the relative priority of Aspects was determined should be explained.

In addition to guiding the selection of Aspects to report, the Materiality Principle also applies to the use of Indicators.

When disclosing performance data, there are varying degrees of comprehensiveness and detail that could be provided in a report. Overall, decisions on how to report data should be guided by the importance of the information for assessing the performance of the organization, and facilitating appropriate comparisons.
Reporting on material Aspects may involve disclosing information used by external stakeholders that differs from the information used internally for day-to-day management purposes. However, such information does indeed belong in a report, where it may inform assessments or decision-making by stakeholders, or support engagement with stakeholders that may result in actions that significantly influence performance or address key topics of stakeholder concern.

Tests:

In defining material Aspects, the organization takes into account the following factors:

- Reasonably estimable sustainability impacts, risks, or opportunities (such as global warming, HIV-AIDS, poverty) identified through sound investigation by people with recognized expertise, or by expert bodies with recognized credentials in the field
- Main sustainability interests and topics, and Indicators raised by stakeholders (such as vulnerable groups within local communities, civil society)
- The main topics and future challenges for the sector reported by peers and competitors
- Relevant laws, regulations, international agreements, or voluntary agreements with strategic significance to the organization and its stakeholders
- Key organizational values, policies, strategies, operational management systems, goals, and targets
- The interests and expectations of stakeholders specifically invested in the success of the organization (such as employees, shareholders, and suppliers)
- Significant risks to the organization
- Critical factors for enabling organizational success
- The core competencies of the organization and the manner in which they may or could contribute to sustainable development

Prioritizing

- The report prioritizes material topics and Indicators

FIGURE 1 Visual representation of prioritization of topics
[Insert Figure 1]

Completeness Principle

The report should include coverage of material topics and their Boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organization’s performance in the reporting period.

GUIDANCE

Applying the Principle:

Completeness primarily encompasses the dimensions of scope, boundary, and time. The concept of completeness may also be used to refer to practices in information collection (for example, ensuring that compiled data includes results from all entities within the organization and entities, groups of entities, or elements outside the organization where significant impact occurs) and whether the presentation of information is reasonable and appropriate. These topics are related to report quality, and are addressed in greater detail under the Principles of Accuracy and Balance.
‘Scope’ refers to the range of sustainability Aspects covered in a report. The sum of the Aspects and Standard Disclosures reported should be sufficient to reflect significant economic, environmental and social impacts. It should also enable stakeholders to assess the organization’s performance. In determining whether the information in the report is sufficient, the organization should consider both the results of stakeholder engagement processes and broad-based societal expectations that may not have surfaced directly through stakeholder engagement processes.

‘Aspect Boundary’ refers to the description of where impacts occur for each material Aspect. In setting the Aspect Boundaries, an organization should consider impacts within and outside of the organization. Aspect Boundaries vary based on the Aspects reported.

‘Time’ refers to the need for the selected information to be complete for the time period specified by the report. As far as practicable, activities, events, and impacts should be presented for the reporting period in which they occur. This includes reporting on activities that produce minimal short-term impact, but which have a significant and reasonably foreseeable cumulative effect that may become unavoidable or irreversible in the longer term (such as bio-accumulative or persistent pollutants). In making estimates of future impacts (both positive and negative), the reported information should be based on well-reasoned estimates that reflect the likely size and nature of impacts. Although such estimates are by nature subject to uncertainty, they provide useful information for decision-making as long as the basis for estimates is clearly disclosed and the limitations of the estimates are clearly acknowledged. Disclosing the nature and likelihood of such impacts, even if they may only materialize in the future, is consistent with the goal of providing a balanced and reasonable representation of the organization’s economic, environmental and social performance.

Tests:

- The report takes into account impacts within and outside of the organization, and covers and prioritizes all material information on the basis of the Principles of Materiality, Sustainability Context, and Stakeholder Inclusiveness
- The information in the report includes all significant impacts in the reporting period, and reasonable estimates of significant future impacts when those impacts are reasonably foreseeable and may become unavoidable or irreversible
- The report does not omit relevant information that influences or informs stakeholder assessments or decisions, or that reflects significant economic, environmental and social impacts

4.2 Principles for Defining Report Quality

This group of Principles guides choices on ensuring the quality of information in the sustainability report, including its proper presentation. Decisions related to the process of preparing information in a report should be consistent with these Principles. All of these Principles are fundamental to achieving transparency. The quality of the information is important to enable stakeholders to make sound and reasonable assessments of performance, and take appropriate actions.

Balance Principle

The report should reflect positive and negative aspects of the organization’s performance to enable a reasoned assessment of overall performance.

Guidance:

Applying the Principle:
The overall presentation of the report's content should provide an unbiased picture of the organization's performance. The report should avoid selections, omissions, or presentation formats that are reasonably likely to unduly or inappropriately influence a decision or judgment by the report reader. The report should include both favorable and unfavorable results, as well as information that can influence the decisions of stakeholders in proportion to their materiality. The report should clearly distinguish between factual presentation and the organization's interpretation of information.

**Tests:**

- The report discloses both favorable and unfavorable results and Aspects
- The information in the report is presented in a format that allows users to see positive and negative trends in performance on a year-to-year basis
- The emphasis on the various Aspects in the report is proportionate to their relative materiality

**Comparability Principle**

*The organization should select, compile and report information consistently. The reported information should be presented in a manner that enables stakeholders to analyze changes in the organization’s performance over time, and that could support analysis relative to other organizations.*

**Guidance**

**Applying the Principle:**

Comparability is necessary for evaluating performance. Stakeholders using the report should be able to compare information reported on economic, environmental and social performance against the organization’s past performance, its objectives, and, to the degree possible, against the performance of other organizations. Consistency in reporting allows internal and external parties to benchmark performance and assess progress as part of rating activities, investment decisions, advocacy programs, and other activities. Comparisons between organizations require sensitivity to factors such as differences in organizational size, geographic influences, and other considerations that may affect the relative performance of an organization. When necessary, report preparers should consider providing context that helps report users understand the factors that may contribute to differences in performance between organizations.

In order to facilitate comparability over time, it is important to maintain consistency with the methods used to calculate data; with the layout of the report; and with explaining the methods and assumptions used to prepare information. As the relative importance of an Aspect to a given organization and its stakeholders change over time, the content of reports will also evolve.

However, within the confines of the Principle of Materiality, organizations should aim for consistency in their reports over time. An organization should include total numbers (that is, absolute data such as tons of waste) as well as ratios (that is, normalized data such as waste per unit of production) to enable analytical comparisons.

When changes occur with the Aspect Boundaries, Scope, length of the reporting period, or content (including the design, definitions, and use of any Indicators in the report), organizations should, whenever practicable, restate current disclosures alongside historical data (or vice versa). This ensures that information and comparisons are both reliable and meaningful over time. When such restatements are not provided, the report should explain the reasons and implications for interpreting current disclosures.

**Tests:**

- The report and the information contained within it can be compared on a year-to-year basis
• The organization’s performance can be compared with appropriate benchmarks
• Any significant variation between reporting periods in the Aspect Boundaries, Scope, length of reporting period, or information covered in the report can be identified and explained
• When they are available, the report utilizes generally accepted protocols for compiling, measuring and presenting information, including the information contained in the GRI Guidelines
• The report uses GRI Sector Disclosures, when available

Accuracy Principle

The reported information should be sufficiently accurate and detailed for stakeholders to assess the organization’s performance.

GUIDANCE

Applying the Principle:

Responses to economic, environmental and social Disclosures on Management Approach and Indicators may be expressed in many different ways, ranging from qualitative responses to detailed quantitative measurements. The characteristics that determine accuracy vary according to the nature of the information and the user of the information. For example, the accuracy of qualitative information is largely determined by the degree of clarity, detail, and balance in presentation within the appropriate Aspect Boundaries. The accuracy of quantitative information, on the other hand, may depend on the specific methods used to gather, compile, and analyze data. The specific threshold of accuracy that is necessary will depend partly on the intended use of the information. Certain decisions require higher levels of accuracy in reported information than others.

Tests:

• The report indicates the data that has been measured
• The data measurement techniques and bases for calculations are adequately described, and can be replicated with similar results
• The margin of error for quantitative data is not sufficient to influence substantially the ability of stakeholders to reach appropriate and informed conclusions on performance
• The report indicates which data has been estimated and the underlying assumptions and techniques used to produce the estimates, or where that information can be found
• The qualitative statements in the report are valid on the basis of other reported information and other available evidence

Timeliness Principle

The organization should report on a regular schedule so that information is available in time for stakeholders to make informed decisions.

GUIDANCE

Applying the Principle:

The usefulness of information is closely tied to whether the timing of its disclosure to stakeholders enables them to effectively integrate it into their decision-making. The timing of release refers both to the regularity of reporting as well as its proximity to the actual events described in the report.
Although a constant flow of information is desirable for meeting certain purposes, organizations should commit to regularly providing a consolidated disclosure of their economic, environmental and social performance at a single point in time. Consistency in the frequency of reporting and the length of reporting periods is also necessary to ensure comparability of information over time and accessibility of the report to stakeholders. It may be of value for stakeholders if the schedules for sustainability reporting and financial reporting are aligned. The organization should balance the need to provide information in a timely manner with the importance of ensuring that the information is reliable.

Tests:

- Information in the report has been disclosed while it is recent relative to the reporting period
- The collection and publication of key performance information is aligned with the sustainability reporting schedule
- The information in the report (including online reports) clearly indicates the time period to which it relates, when it will be updated, and when the last updates were made

Clarity Principle

**The organization should make information available in a manner that is understandable and accessible to stakeholders using the report.**

**GUIDANCE**

**Applying the Principle:**

The report should present information in a way that is understandable, accessible, and usable by the organization’s range of stakeholders (whether in print form or through other channels). A stakeholder should be able to find desired information without unreasonable effort. Information should be presented in a manner that is comprehensible to stakeholders who have a reasonable understanding of the organization and its activities. Graphics and consolidated data tables may help to make information in the report accessible and understandable. The level of aggregation of information may also affect the clarity of a report, if it is either significantly more or less detailed than stakeholders expect.

Tests:

- The report contains the level of information required by stakeholders, but avoids excessive and unnecessary detail
- Stakeholders can find the specific information they want without unreasonable effort through tables of contents, maps, links, or other aids
- The report avoids technical terms, acronyms, jargon, or other content likely to be unfamiliar to stakeholders, and should include explanations (where necessary) in the relevant section or in a glossary
- The data and information in the report is available to stakeholders, including those with particular accessibility needs (such as differing abilities, language, or technology)
Reliability Principle:
The organization should gather, record, compile, analyze and disclose information and processes used in the preparation of a report in a way that they can be subject to examination and that establishes the quality and materiality of the information.

GUIDANCE

Applying the Principle:
Stakeholders should have confidence that a report can be checked to establish the veracity of its contents and the extent to which it has appropriately applied Reporting Principles. The information and data included in a report should be supported by internal controls or documentation that could be reviewed by individuals other than those who prepared the report. Disclosures about performance that are not substantiated by evidence should not appear in a sustainability report unless they represent material information, and the report provides unambiguous explanations of any uncertainties associated with the information.

The decision-making processes underlying a report should be documented in a manner that allows the basis of key decisions (such as processes for determining the report content and Aspect Boundaries or stakeholder engagement) to be examined. In designing information systems, organizations should anticipate that the systems could be examined as part of an external assurance process.

Tests:
- The scope and extent of external assurance is identified
- The original source of the information in the report can be identified by the organization
- Reliable evidence to support assumptions or complex calculations can be identified by the organization
- Representation is available from the original data or information owners, attesting to its accuracy within acceptable margins of error