

Navigating GRI G4

What do the new GRI G4 sustainability reporting guidelines mean for you?



If you are not familiar with the GRI G4 sustainability reporting guidelines, we provide an introduction to them on **p2**



If you know about GRI and their old G3.1 guidelines, but are new to G4, we provide a summary of the main changes on **p3**



If you are already up to speed with the new G4 guidelines, we outline some of the main challenges you might face when using them in practice on **p4**



We consider some of the implications of G4 for your company on p5, before providing some FAQs and a glossary



What are they?

An introduction to GRI and the G4 sustainability reporting guidelines

- The Global Reporting Initiative (GRI) is a not-for-profit organisation that has been developing guidelines for how companies report on sustainability since 2000.
- Although entirely voluntary, the GRI guidelines have become the de facto global standard, and are now used by over 75% of the 250 biggest companies in the world.
- They take the form of a list of 'disclosures' which companies are expected to include in their reporting. The idea is that, by introducing a standardised element to sustainability reporting, stakeholders can more easily compare the approach and performance of different companies.
- The disclosures range from basic details (such as company name and contact details) through to specific information and data (such as the management approach to climate change or gender diversity statistics).
- The GRI's latest guidelines, G4, were launched in May 2013.
- The G4 disclosures include some standard information and data that are required from all companies and some issue-specific information and data that are required if that issue is significant to your company and its stakeholders.



What has changed?

A summary of the main changes between the G3.1 and G4 sustainability reporting guidelines

- **Materiality** Perhaps the biggest change is the increased emphasis on materiality. G3.1 provided a standard list of disclosures, from which companies had to report on a certain number to meet GRI requirements. For G4, while there is still certain information required from all companies, most disclosures are now dictated by what sustainability issues are deemed 'material' (or matter most) to your company and its stakeholders. This adds a crucial preliminary step to the reporting process.
- **Application levels** The 'ABC' application levels associated with G3.1 have been replaced with two 'in accordance' options. The 'core' option is what GRI consider the minimum information required to meet the G4 guidelines. The 'comprehensive' option includes more disclosures for companies who want to go further.
- **Reporting boundaries** For G3.1, a company defined a single boundary (usually 'operational control') and then reported only on those impacts that fell inside it. For G4, however, companies must consider the impact of each material issue, whether that impact occurs inside or outside of its organisation, leading to a greater focus on supply chain impacts.
- **Governance** The number of standard disclosures (required from all companies) about governance structure and composition has increased from 10 in G3.1 to 22 in G4. Whilst only one of these disclosures is required for the 'core' option, reporters seeking to achieve the 'comprehensive' option will be expected to disclose far more information than before about how their company is run.
- **Supply chain** Supply chain issues are given more prominence in G4 than they received previously, and all companies are required to describe their supply chain, even for the 'core' option.
- **External assurance** Instead of being shown alongside the application level, as in G3.1, the G4 guidelines requires companies to indicate whether each individual disclosure has been assured by a third party. The use of external assurance is recommended but not a requirement for G4.
- **Documentation** GRI has issued two new manuals. Part 1 explains 'what' must be reported and Part 2 provides guidance on 'how' companies can report against the G4 criteria. However at a combined 360 pages, they are not a quick read.

How does it work in practice?

Practical considerations / challenges of the G4 guidelines

- I** The requirement to establish material issues means that the GRI guidelines no longer simply cover the contents of your report, but also the way in which those contents are defined. They add a new preliminary step to the reporting process, which will require you to engage with your stakeholders in order to ascertain which sustainability issues matter most. This provides some new challenges:
 - **How to engage stakeholders?** The GRI guidelines state that the process for defining report content should include stakeholder views. However, stakeholder views are many and varied, and without careful planning a stakeholder engagement exercise could easily end up simply reflecting the views of those stakeholders that are most vocal.
 - **Which sustainability issues should be considered?** The GRI G4 guidelines provide a set of 46 'sustainability Aspects'. However, these headings alone are ambiguous, open to misinterpretation and in some cases do not reflect the disclosures required. It might be that bespoke sets of potential sustainability issues need to be established that are relevant and meaningful to your company and its stakeholders.
 - **Material for what part of your company?** Many companies offer a diverse range of products and services in a range of territories, yet produce a consolidated sustainability report. The emerging need to identify material issues could mask important differences in what is material for different parts of the company. Consequently, we might see a trend towards more localised and business function-specific sustainability reporting.
 - **What is the right number of material issues?** Once sustainability issues have been prioritised, companies will then need to judge the threshold between which issues are important enough to report on, those that are not.
- I** **Supply chain description** Under G4, companies will have to be more transparent about their supply chains than ever before. You will be asked to report information such as the chain of activities that provides your products and services, the total number and types of suppliers, their location by country or region and the estimated monetary value of payments made to them. This is information that many companies might not know or have previously been unwilling to divulge.
- I** **Omissions** For each material issue, the management approach and at least one indicator must be reported for the 'core' option and all indicators for the 'comprehensive' option. This, combined with the loss of the 'partially reported' label, means that in some respects G4 is more prescriptive than G3.1. Omissions are permitted, but only with a clear explanation why – and too many omissions will mean that a report cannot be 'in accordance' with the guidelines.

What are the implications for how my company reports on sustainability?

Feature of G4	If you already report using GRI G3.1	If you are starting from scratch
Materiality becomes part of reporting	If you already undertake a materiality exercise, you might simply need to disclose more details about it. For G4, such an exercise must involve stakeholder engagement and use a formalised and documented process. If you do not currently undertake such an exercise, then you will need to put one in place before you embark on writing your report.	The G4 guidelines cover not only the contents of your report, but the process by which they have been established. Crucially, they initially require you to undertake a materiality exercise – involving engagement with stakeholders – to understand and define what sustainability issues are material to your company.
Your report only needs to include material issues	G4 encourages reporters to focus their reporting on those issues that matter most. This makes it likely that G4 compliant reports will be significantly shorter than those produced for G3.1.	G4 encourages reporters to focus their reporting on those issues that matter most. This means you should focus your resources and effort on to reporting fewer issues well, rather than trying to cover everything.
Reporting boundaries are defined for each material issue	You will need to consider your company's impacts in a much broader sense than was previously required. You will need to report on where in your supply chain the main impact occurs for each material issue, as well as having a documented process in place for establishing this.	Once material issues have been established, you will need to define a boundary for every material issue. For example, responsible sourcing is a supply chain issue for many companies that falls outside their reporting boundary. However, under G4, if responsible sourcing is deemed material then it must be included in your report, with an explanation of the main impacts and where the boundary falls.
Old application levels do not map across to the new 'in accordance' options	Your report would have previously been certified as meeting application level A, B or C. For G4, you will need to decide whether to pursue the 'core' or 'comprehensive' option. Many of the disclosures from G3.1 have been retained in G4, but the old application levels do not simply 'map' across to the new in accordance options. However, it is safe to assume that reporters who previously attained application level A will have fewer changes to make to meet the new 'comprehensive' option than those who previously attained level C.	As a first time reporter to GRI, we would recommend that you initially set your sights on meeting the 'core' option. You can look to progress to the 'comprehensive' option in subsequent years if so desired.
There is a two year overlap	Reports issued after 31st December 2015 must follow G4. Until then, your company can continue to report using G3.1 if desired. However, it is important to keep in mind that G4 requires a fundamentally different approach to reporting, and will suffer if approached with a "G3.1 with changes" mind-set.	Reports issued after 31st December 2015 must follow G4. Until then, your company can report using G3.1 if desired. However, we would recommend that all first time reporters move straight to G4 rather than learning one set of guidelines only for them to become redundant almost immediately.

FAQs

We've not used GRI guidelines before. Why start now?

The launch of G4 is an ideal time to start applying GRI guidelines to your sustainability reporting. The profile of GRI guidelines has certainly been raised, and for the next couple of years there will – to a certain extent – be a level playing field as no companies, even those with established G3.1 reporting, will have used G4 before. Also, various first mover advantages may well be available to those companies who are the early adopters of G4.

Why should I bother at all?

Since 2000, the GRI framework has become the benchmark for best practice in sustainability reporting. Although only about a third of FTSE100 companies currently report using GRI guidelines, this is on the rise and GRI is already used by over 75% of the world's 250 biggest companies. In May 2012, GRI was announced as the official reporting standard of the UN Global Compact, meaning that the G4 guidelines will be recommended to the 5,800 companies associated with the Compact.

What is the business case for using GRI?

There are at least four clear business drivers for adopting the GRI framework to guide your reporting. First, by adhering to third party and internationally-recognised guidelines, it provides a way of enhancing the credibility and trust associated with your sustainability reporting. Second, it enables your stakeholders and investors to more easily compare and benchmark your performance against others. Third, it provides a useful internal checklist for reporting; forcing you to evaluate your performance, achievements and challenges in a systematic way. Finally, the new G4 guidelines provide an ideal opportunity to start or resume a dialogue with your stakeholders about what you are reporting and why.

But isn't GRI simply a tick-box exercise?

Previously, the GRI G3.1 guidelines required companies to report against a universal set of reporting criteria. This led companies to report on a prescribed list of issues, many of which were seen as irrelevant to their business or operations. However, the new G4 guidelines, with their emphasis on "materiality," help ensure that reporting is more streamlined, less rigid and ultimately, more useful.

It all sounds very complicated. Will I need outside help?

While the G3.1 guidelines essentially specified what appeared in your final report, the G4 guidelines are more concerned with the process by which the report is produced. Defining your supply chain, engaging your stakeholders, identifying your material issues in that chain and documenting the process will all likely require additional rigour and resources. The process may well benefit from external expertise, particularly in the early years of G4 reporting.

Glossary

Aspects

The name given by GRI to its list of sustainability issues that form the basis of the G4 guidelines. For every Aspect that is deemed a material issue, companies are expected to report the management approach and at least one indicator. The final list of material issues is not limited to GRI's set of Aspects.

Boundary

The description of where impacts occur for each material issue. In setting issue boundaries, impacts within and outside of the organisation need to be considered.

Disclosures

The building blocks of the GRI guidelines. The individual pieces of information that are required to be provided in an organisation's reporting if they are to be 'in accordance' with the GRI G4 guidelines. These include both descriptions (to illustrate processes) and indicators (to indicate performance).

GRI

Global Reporting Initiative

Impact

Significant economic, environmental and social outcomes that can be positive, negative, actual, potential, direct, indirect, short term, long term, intended and/or unintended.

Indicator

Qualitative or quantitative information about results or outcomes associated with an organization that is comparable and demonstrates change over time.

Materiality

The point at which sustainability issues become sufficiently important that they should be reported. It is commonly represented on a materiality matrix, which plots the level of importance to the company against the level of concern of stakeholders.



How we can help

At IMS Consulting we have a track record in delivering robust corporate sustainability reporting, materiality analysis and stakeholder engagement for leading sustainable businesses and organisations. We have an in depth knowledge of the GRI sustainability reporting guidelines and we like to think that we know what we're talking about when it comes to G4.

If you have any questions about this guide, would like to discuss any aspect of G4 further or would like to talk about how we can help meet your sustainability objectives please get in touch:

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