



Everything you need to know about the DRAFT G3 Guidelines – past, present, and future

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1. Setting the stage: sustainability reporting then and now

GRI mission

The Global Reporting Initiative's (GRI) mission is to make sustainability reporting as routine and comparable as financial reporting. It does this through the development and continuous improvement of a reporting framework that can be used by any organization to report on its economic, environmental, and social performance.

What we do

At the heart of the GRI reporting framework lie the Sustainability Reporting Guidelines. These Guidelines began to take shape in the late 1990's, and were released for the first time in 2000. A second version was released at the World Summit for Sustainable Development in 2002, and was acclaimed a significant technical improvement from the first version. Known as the 2002 Guidelines (or "G2"), these have steadily become the basis for reporting sustainability performance by many hundreds of organizations worldwide.

Other reporting framework components are built to be used with the Guidelines, including:

- Sector Supplements
- Boundary Protocol
- Indicator Protocols

Now, nearly four years later, GRI is in the middle of a process to innovate, update, and upgrade the G2 Guidelines. The third generation of Guidelines ("G3") will be available in draft form, for the purposes of gaining public comment and opinion, from January to March 2006. The G3 Guidelines are expected to be finalized by October 2006, and will then replace the G2 version.

How we do it

Components in the reporting framework, including the Guidelines, are created and continuously improved using a series of multi-stakeholder working groups that are tasked with revising existing content or developing new content. The size and duration of working groups vary depending on the work they are tasked with, but they are always a balanced composition of people from all parts of the world and from different professional backgrounds, including business, civil society, investment, labor, accounting, academia, and others. The groups seek to arrive at a consensus about what the most important issues for organizational reporting are, and how these issues should be captured in the form of reporting indicators, disclosures, principles, or other elements. The groups also address expectations regarding the process of reporting and the preparation of a report, and may offer guidance in these areas too.

Due to this multi-stakeholder working group approach, the GRI reporting framework is a direct reflection of the experience, learning, and opinions of those practitioners that engage actively in the GRI network. Sustainability reporting is a relatively young field, so with each iteration of the Guidelines or other framework components therein lies an opportunity to better understand and capture the intelligence that is generated around the needs, uses, and practicalities of sustainability reporting.

To ensure the highest quality in GRI reporting framework components, the organizations' governance bodies all play a role before they are released for use. The Technical Advisory Committee oversees the general development and provides guidance on technical issues. The Board of Directors has ultimate responsibility for the reporting framework, and the Stakeholder Council provides general policy guidance for GRI as a whole.

An accumulation of intellectual capital

Let's reflect back on the context within which the 2002 Guidelines were developed, and compare this with the context within which the G3 Guidelines are being developed.

	G2 Guidelines – released mid-2002 Development phase: 2001-2002	G3 Guidelines – due for release in late 2006 Development phase: 2004-2005
Practical experience	• Less than 100 organizations used the Guidelines to report • Less than two years of collective experience and results with structured reporting • 30 companies participated in the Structured Feedback Process on the 2000 Guidelines • Limited number of studies or analysis on the state of reporting, trends in reporting, and best practice in reporting; results and conclusions often patchy due to limited data	• More than 750 organizations used the Guidelines to report, some annually over the past 3+ years • Six full years of collective experience and results with structured reporting • 450 individuals participated in the Structured Feedback Process from business, investment, accounting, academia, civil society, labor, etc., on the 2002 Guidelines. • Rich studies on reporting trends by country, sector, and globally. High volume of reporting organizations means useful insights in to trends, best practice, and state of reporting

GRI network & organizational development	• Approximately 2,000 in GRI's broad communications network • GRI concept, network, and Guidelines were in an introductory phase • Steering Committee of 20 people guiding organizational and technical development, with input from CERES leadership and UNEP • GRI a sub-project of the US non-profit organization CERES, a secretariat of 10 housed in their Boston offices	• Over 20,000 in GRI's broad communications network • High recognition globally, GRI established authority on sustainability reporting • Board of 16 people, Stakeholder Council of 48, and Technical Advisory Committee of 8 formed and functioning • GRI incorporated as an independent, non-profit organization, secretariat of 20 located in Amsterdam, NL
Maturity of GRI reporting framework	• The Guidelines were the only component in the GRI reporting framework • Early prototypes of sector supplements and indicator protocols in development phase	• Third generation of GRI Guidelines underway • Indicator protocols for every indicator drafted • Six sector supplements ready for use, three in development • Boundary Technical Protocol complete • Resource documents for reporting on progress with Global Compact, OECD Guidelines available • "High 5!" A resource for small and medium sized enterprises using the Guidelines available
Maturity of other corporate responsibility tools	• Overall, a collection of various corporate responsibility tools emerging, but not yet an understanding of how they relate or how to use them together • ILO Tripartite Agreement, OECD Guidelines for Multinational Enterprises well established, but not firmly embedded in everyday CSR management activities • ISO 14000 well established	• Greater efforts by practitioners and by purveyors of corporate responsibility tools to harmonize their use, and converge functionalities to form a valuable collection of codes, principles, management standards, certification schemes, reporting, assurance, and other functionalities. • ISO 26000 in exploratory phase

	• Global Compact just establishing, less than 500 participants • Sustainability and reporting catches the attention of socially responsible investing movement • Verification of sustainability reports was discussed in GRI expert groups, but hadn't been established as a central concept	• Global Compact exceeds 2000 participants and establishes clear "Communications on Progress" requirements • SRI and mainstream analysts and investors looking to sustainability issues as important in investment decisions • Assurance, auditing, and verification of sustainability reports and reporting processes established firmly on the agenda
Evolving expectations of GRI	• GRI expected to provide a set of Sustainability Reporting Guidelines	• GRI expected to provide a multi-faceted reporting framework, including Guidelines, sector-specific guidance, national-specific guidance, indicator protocols, and guidance on various reporting process items such as boundary setting and determining relevance • GRI expected to provide products and services to support the use of the reporting framework, including how-to and help guides, courses, and a digital taxonomy.

The G3 Guidelines stand to benefit from a wide array of practical expertise with sustainability reporting, communication, and assurance accumulated over the years by reporting organizations and their stakeholders. The multi-stakeholder working group development process was designed to capture this intellectual capital, and the draft G3 Guidelines are the result.

The draft G3 Guidelines are now being made available to the general public to cast the net even wider in hopes the GRI can benefit from your knowledge and advice at this key stage in their development.

2. G3 Past (2003-2005)

2.1 Determining the path forward from G2 to G3

There are two things that are constant about the Global Reporting Initiative's Sustainability Reporting Guidelines:

- They must be developed using a global, multi-stakeholder, consensus-seeking process
- They must be continuously improved based on feedback provided by people who use them and the reports written using them

The G2 Guidelines are themselves the product of several years of research, development and multi-stakeholder discussions stretching back as early as 1997. In order to ensure the Guidelines keep up with the increasingly sophisticated needs of reporting organizations and information seekers alike, GRI embarked on a review of the G2 Guidelines about 18 months after their mid-2002 release.

Structured Feedback Process (SFP)

This review was called the Structured Feedback Process (SFP) and was designed to gather ideas and opinions about how the Guidelines could be improved. Participants numbered 450 and included organizations that used the Guidelines to report (both experienced and new), and also those that regularly use information and data from sustainability reports. The SFP occurred during 2003-2004 and consisted of the following elements:

- A questionnaire to which there were 112 responses. The questionnaire was statistically analyzed and the results provided the basis for conversation and debate at a series of seven regional roundtables.
- Seven regional roundtables unfolded in Australia, Brazil, China, Japan, South Africa, Switzerland, and the United States. In total, 450 attendees discussed complex issues related to the Guidelines in small break out groups.

SFP results

The drivers and incentives for reporting differ country to country, and even sector to sector. In some places strong civil society and labor forces play an important role in demanding sustainability information and reporting from organizations, and as a result is shaping the nature of what is reported. In others, an organized and active socially responsible investment (SRI) community is demanding reporting of a very different nature. Certainly, in some regions, organizations must cope with light or stringent regulations on reporting, which in turn affect their reporting practices. In addition to external forces for reporting, in many cases, the main motivation to report derives from its value for the purposes of internal management and coordination.

In light of these differing forces and reporting needs the results of the SFP survey and roundtables were diverse. In some cases, opinions across geographic regions, or

stakeholder groups, were completely polarized. However, there was substantial set of consistent messages that emerged from the SFP, and which directly influenced which areas of the Guidelines were prioritized for improvements, where new content areas had to be developed, and which parts of the Guidelines most people were quite satisfied with.

SFP participants gave **overall advice** on the parameters within which G3 should be developed. These parameters were woven into the work plan of the multi-stakeholder working groups that were eventually formed and mandated to update the G2 Guidelines.

- **User-friendly:** Increase overall ease of use by adjusting the guidance itself, the way it is written, and the format within which it is presented.
- **Minimize transition costs:** By October 2006 (the target completion date of the G3 Guidelines) there could be upwards of 1000 organizations already using G2 as the basis for their reporting. Although these organizations are mainly demanding more robust Guidelines to fulfill their reporting needs, care needs to be taken that the transition from G2 to G3 is as smooth as possible.
- **Guidance on relevance:** When most organizations pick up the Guidelines for the first time they think they have to respond to all of the indicators contained within. There was strong advice that it must be clear that a reporting organization must undergo an exercise in issue identification and prioritization before selecting the relevant indicators for their reporting purposes, and that the Guidelines should contain some advice or guidance on how this should be done.
- **Increase assurability:** Various forms of assurance, auditing, or verification are used by reporting organizations – or are demanded by their stakeholders - to increase the credibility of reports. SFP participants requested that the Guidelines as a whole, including reporting principles, disclosure items, and indicators be refined so they are more suitable as criteria for assurance purposes.
- **Harmonize with others:** In the period 2000-2005 an array of sustainability and corporate responsibility tools emerged. These include codes of conduct, principles, management systems, certification or labeling schemes, assurance frameworks, and many others. SFP participants articulated that reporting is one function in the overall management approach, and the Guidelines should provide a consolidated communications platform for progress made with codes, principles, management or certification tools, etc. There was also a strong demand that the Guidelines also maintain their commitment to alignment with internationally-agreed conventions and norms.
- **Invest in investors:** Investors are increasingly users of sustainability data issued by companies, and are taking an active role in demanding transparency on sustainability issues by listed companies. In emerging economies, and for non-listed organizations, investors do not yet play this role, but it has been recognized that others with financial relationships to the organization such as buyers, clients,

and lenders, are also beginning to exert pressure for transparency and communication about key risks and opportunities. SFP participants recommended that investors and other financial players be surveyed to find out what could be done to make sustainability reporting of greater utility to them.

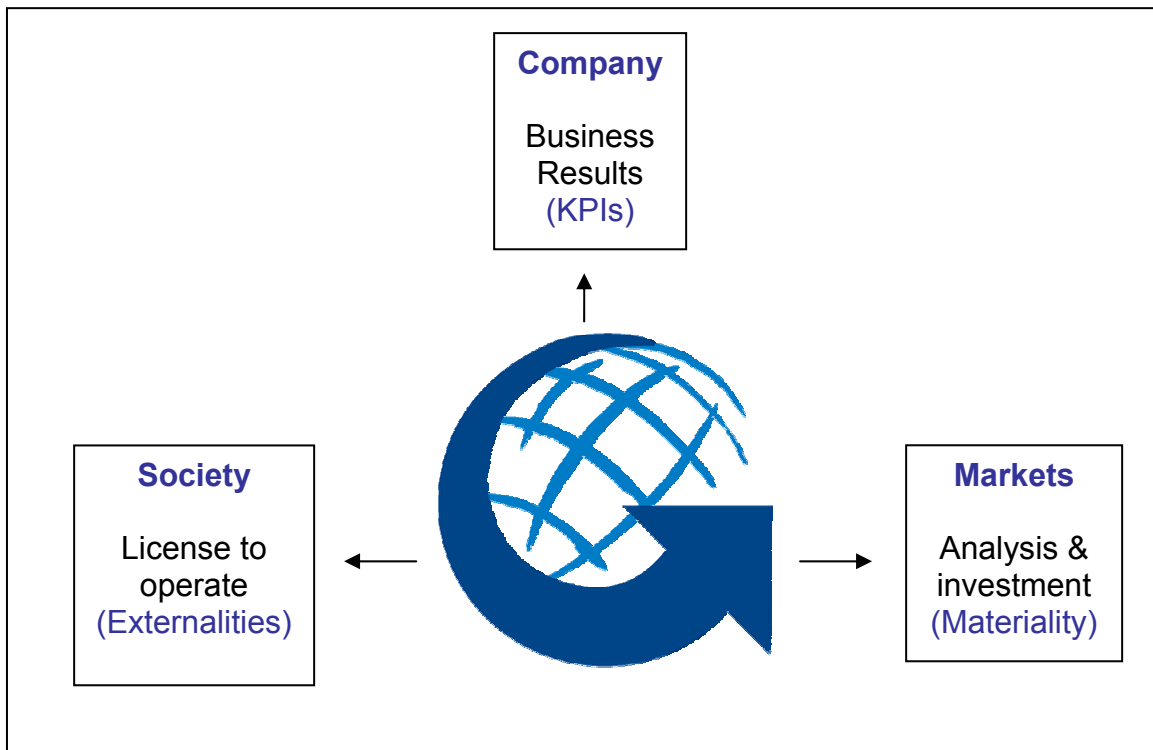
In terms of the **indicators and disclosures** contained within the Guidelines, there was also a consistent set of feedback across geographic regions and stakeholder groups:

- **Be sensitive to the number of indicators:** The G2 Guidelines contain 97 total indicators, along with other disclosure items. Although it was recognized that some new sustainability issues had come to light since the G2 development process, or other existing issues may not have had the coverage some would have preferred, there was not a clear mandate to significantly increase the number of indicators. The main message was to improve clarity and consistency, and to arrive at a focused set that reflected key priorities for reporting.
- **Performance-focus:** G2 indicators are a mix of disclosures that request information on policies, procedures, management approaches, and outcomes. SFP participants strongly recommended that the indicators be refined so that they elicit information that can be used to show change over time (i.e., “performance”). The challenge from SFP participants for G3 was to arrive at performance oriented indicators, but still include space for organizations to put these results in context and explain the overarching management approach.
- **Comparable:** Indicators should be refined so that data resulting can be more easily bench-markable to track performance by one organization over time, or across multiple organizations.
- **Qualitative indicators need help:** There was widespread recognition by SFP participants that qualitative indicators are necessary to use when reporting on sustainability issues such as human rights, labor topics, and others. However, there was also strong criticism that the G2 qualitative indicators only requested descriptions and didn’t focus on outcomes or results. The challenge for G3 was to make them more comparable and results-oriented without turning them into quantitative measures.
- **A how-to guide:** To improve clarity in what an indicator is actually asking for, or how it should be responded to, technical protocols for all indicators should be created. Technical protocols should contain definitions of terms that appear in the indicator wording, compilation methodology, and other useful references.

Different groups have different needs

The other benefit of the SFP was the revelation that the main stakeholder groups interested in reporting (i.e., businesses, investors, academics, civil society, labor, accounting, and others) had become increasingly clear about what they wanted out of

sustainability reporting. The following figure provides a basic overview of different users needs.



Organizations will not report “for the sake of reporting” or because it is “the right thing to do.” Sustainability reporting must result in demonstrable advantages such as better management of sustainability issues, risk reduction, reputation enhancement or protection, stakeholder relations, investor relations, or internal performance benchmarking and communications. Although there is still widespread recognition that reporting fulfills external communication needs (such as demanded from investors or civil society) organizations are more and more looking to identify a set of key performance indicators that can fortify their effective management of sustainability issues.

Civil society, on the other hand, is still the main issuer of the so-called “license to operate”. Organizations must still earn this by showing transparency, accountability, and responsiveness to important sustainability issues for the communities in which they operate, to their employees, or to others that have a stake in their organizations. This may result in different information priorities and formats than those needed for KPI’s or internal management performance tracking.

Investors have made their information interests clear to companies. They are interested in tracking issues and performance related to the management of these issues that are relevant for understanding the financial health of the company. As a result, investors are

looking for regular, credible, bench-markable, and meaningful data on sustainability performance. These information needs may not match what a company has identified as KPI's for its own internal management, and may or may not reflect the information needs and issues identified as important for civil society stakeholders.

The challenge for the G3 development process was to ensure the Guidelines will still be able to meet these diverse needs – or address them even better than in the past.

2.2 G3 multi-stakeholder research and development stage (2005)

GRI's governance bodies considered the results of the Structured Feedback Process and began to set objectives and priorities for the review of the G2 Guidelines. GRI's Stakeholder Council reviewed the SFP results, and also offered insights of their own on priorities for research, development, innovation, or refreshing. The Board of Directors approved the G3 work plan which evolved out of these discussions.

The GRI's Technical Advisory Committee oversees the integration of outputs of the working groups (described below) and public comments received between 2 January-31 March 2006. They work to elevate the technical quality of the G3 Guidelines that will emerge at the end of the process in October 2006.

Volunteers from business, civil society, investment, academia, non-governmental organizations, labor, accounting, and others came together and create all aspects of the GRI reporting framework. The draft G3 Guidelines are a result of the following multi-stakeholder technical working groups which convened between January and November 2005:

- **The Reporting as a Process Working Group** was tasked providing guidance on the process of using the Guidelines and focused on updating and further developing the reporting principles. (18 members).
- **The Indicators Working Group** was responsible for reviewing the indicator set as a whole; ensuring quality and consistency of the indicators' design; designing overall fit within the guidance of GRI's Technical Advisory Committee. (15 members).
- The IWG worked with a series of issue-specific **Advisory Groups** that were responsible for reviewing issue coverage and the content of the individual indicators and technical protocols in their area of expertise. 50 individuals participated in the expert Advisory Groups for Biodiversity and Water (environment); Pollution (environment); Labor; Human Rights; Society; Product Responsibility; and Economics.

An ad hoc group of 75 experts joined an email-based Practitioners Network that was able to provide advice and insight on challenges and questions that arose out of the working group deliberations. 15 mainstream financial professionals, including rating agencies, buy

and sell-side analysts, indices, and fund managers met twice to discuss what it would take to move sustainability information into daily investment decisions. Their findings helped inform the work of the RPWG and the IWG.

Full lists of members of the RPWG, IWG, and expert Advisory Groups are available at www.grig3.org.

3. G3 Present (January - March 2006)

This section highlights what you will find in the G3 draft, reviews main changes from G2, and describes other points of interest. It concludes with instructions and tips for participating in the public comment period (open until 31 March 2006).

3.1 Overview of main changes G2 to G3

The G3 process has resulted in a number of innovations, which are briefly outlined in this section. The over-riding goal has been to develop a set of Guidelines that will enable GRI to make significant progress towards its mission of making reporting routine and comparable. The innovations have been intended enhance the comparability, clarity, ease of use, and assurability of the Guidelines and reports that are prepared using the Guidelines.

Format

In 2002, the Guidelines were the only major document completed in the GRI reporting framework, and as a result provided a combination of reporting guidance, explanation about reporting trends, rationale for the structure of the Guidelines, and the history of the Guidelines and the GRI network.

In contrast, the G3 Guidelines focus only on reporting expectations to ensure a more clear and concise document. The Guidelines are supported by other documents to assist users and preparers of reports with further technical topics – such as technical protocols and sector supplements. In the future, this will be expanded to include educational materials. Upon finalization in October 2006, the GRI framework and related materials will be available in digital formats, which will allow users to seamlessly move between materials as they need.

Structure

The overall structure and logic of the document have been adjusted to better match the flow of a typical reporting process, and is aimed to make the Guidelines more practical and easy to understand. Overall, the structure of the Guidelines and the new guidance on processes like boundary setting and issue identification should help mesh better with organizational planning and management processes.

Quick glance: What's new in G3?

- Guidance on defining the content of a report, and the quality of data
- Guidance on setting the report boundary
- Each reporting principle is accompanied by a set of tests to help with their application
- New section in Disclosure Items on strategy and analysis that highlights key issues, risks, and opportunities
- Indicator section has been restructured and now contains Disclosures on Management Approach and Performance Indicators
- A Protocol has been created for each indicator, outlining key definitions, compilation methodologies, and resources.

The section containing the standard disclosures now follow a logical flow, starting from strategy and analysis of sustainability, including risks and opportunities; followed by disclosures on the management of key issues; and finally ending with results-oriented performance indicators. It is hoped that this approach allows reporting organizations to put their performance in the context of macro sustainability issues and then specific management approaches.

Part 1 is broken into three sections:

- How to determine what issues to report on, and select relevant indicators
- How to set the report boundary
- How to ensure the quality of reported information

Part 2 contains the standard disclosure set and has three main sections:

- Disclosure items (general context setting)
- Management disclosures outlined specifically for economic, environment, human rights, labor, product responsibility, and society issues
- Performance indicators categorized into economic, environment, human rights, labor, product responsibility, and society issues

Part 3 wraps up with other considerations for the reporting process, such as:

- Frequency and medium of reporting
- Assurance and reporting
- The sustainability report as a living document, and the cycle of continuous improvement

Reporting principles

The basis for any guidance on the selection, presentation, and quality of report content has always been found in the reporting principles, however there was a strong message that this did not come through in the G2 Guidelines.

The reporting principles have been reviewed and updated. Each principle is presented with a short definition, a longer explanation on how it can be useful in application, and a series of self-tests that will help the practitioner apply the principle.

Quick overview: Principles

G2 Principles	G3 Principles
Transparency	Issue determination Stakeholder engagement
Inclusiveness	
Completeness	Completeness
Relevance	Relevance/materiality
Sustainability context	Sustainability context
Accuracy	Quality of data Accuracy
Neutrality	Neutrality
Comparability	Comparability
Clarity	Clarity
Timeliness	Timeliness
Auditability	Assurability

For example, here is an appended overview of the principle of comparability

Principle: Comparability

Definition: The information reported should remain consistent and be compiled and presented in a manner that enables stakeholders using the report to analyze changes in the organization's performance over time as well relative to other organizations.

Explanation: See G3 draft for full explanation

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.

It should be noted that there are no reporting or disclosure expectations associated with the tests, and that these are simply meant to provide a checklist or practicable guidance on what is expected in terms of application of the principle.

In addition to the new structure, format, and applicability, the principles have been grouped in terms of those that help define report content, and those that help ensure quality of reported information.

Principles to use when determining report content:

- Sustainability context
- Stakeholder engagement
- Completeness
- Relevance/Materiality

In the G3 Guidelines, these four principles are presented in one block, along with some additional guidance on issue identification and indicator selection. A strong new theme in the G3 text is the importance of viewing the indicator set first through a filter for relevance and materiality.

Your input requested:

The working groups debated at length what the definition of relevance and materiality should be. Do you think it should be defined in terms of the organization's sustainability impact OR in terms of information that would influence the decisions of an organization's stakeholders?

Submit your opinion using the web-based public comment form found at www.grig3.org

Principles to use to ensure quality of reported information:

- Timeliness
- Accuracy
- Assurability
- Balance
- Neutrality
- Clarity

What happened to the principle of Transparency?

The overarching goal behind sustainability reporting is transparency. By applying the principles, and reporting on relevant indicators, organizations move toward greater transparency. For this reason, transparency was removed from the list of actionable principles, and instead is taken as the overarching concept behind the entire GRI reporting framework.

Every reporting organization takes steps to ensure the quality and credibility of its report and the information contained therein. There are a variety of things that can be done to improve report quality, from accuracy of data presentation to implementing assurance processes. These principles outline a practical and flexible approach to the range of options available.

Also included along with the reporting principles is a new section on how to set the report boundary. This section builds on existing guidance found in the boundary technical protocol, along with new and practical guidance on how to determine which entities' performance should be represented by the report.

Standard Disclosures

The Standard Disclosures section of the draft G3 Guidelines contain three basic parts: Disclosure Items, Disclosures on Management Approach, and Performance Indicators. A quick overview of main changes and highlights for each of these three components are presented below.

Disclosure Items

These are designed to elicit the overall, context setting information about the reporting organization, including size, scale, sector, approach to sustainability, stakeholder engagement, parameters for the report, etc. In the 2002 Guidelines these were called 'Reporting Elements'. Here is an overview of the changes to the section:

- The section on report scope has been improved to provide a better summary of the parameters of the report and the decision making processes underlying its preparation.
- Text of the disclosures have been refined and clarified through the entire section
- New disclosures in sections 1.1 and 1.2 to mesh with investor's sustainability information needs. The section as a whole has been revised to draw more explicit discussion of the organization's strategy and its key risks and opportunities with respect to sustainable development.
- The G2 sections called "Report Scope" and "Report Profile" have been reorganized into a section called "Report Parameters" which provides information on what the report covers and key information about the processes underlying its preparation.
- The G2 sections titled "Governance and Overarching Policies" and "Management Systems" are now merged and called "Governance, Commitments and Engagement". The governance disclosures have been updated and contain some new elements.

These changes combine to establish a flow that helps the reader understand:

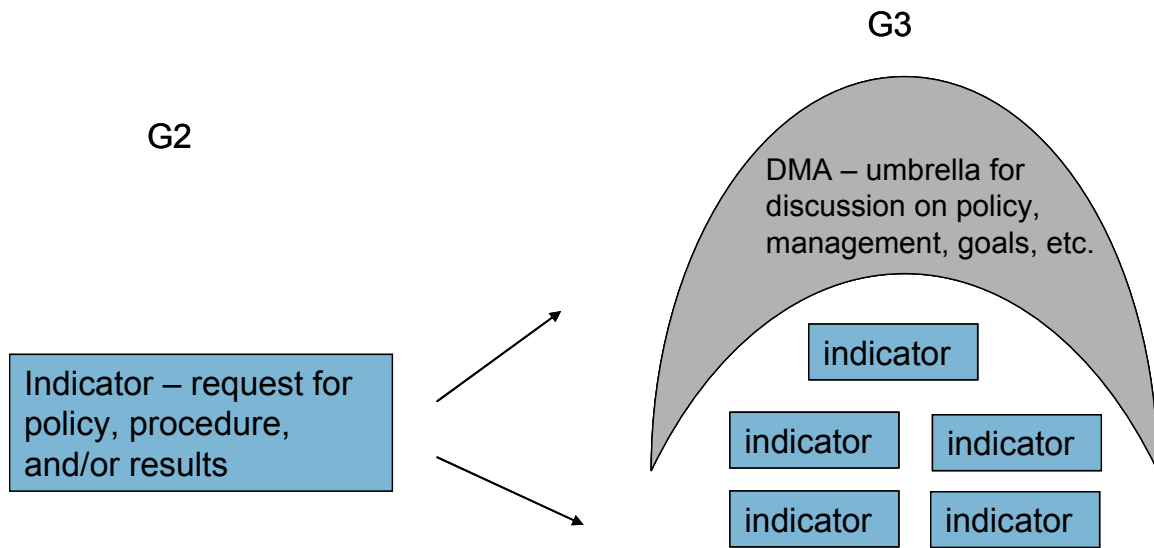
- The profile of the reporting organization and information regarding report preparation necessary to put the information in perspective.
- Key risks and opportunities related to sustainability and the organization's overall response
- Governance structures, stakeholder engagement, and commitments to international standards relevant to sustainability in place to enable the organization to address sustainable development issues
- Approach to managing specific issues and results of this effort.

The evolution of the separation between management approach and performance indicators

The main challenge to the G3 working groups was to refine the indicators so that they became more performance-oriented, elicited more comparable data, and were generally more robust and consistent. However, the one caveat was that this level of consistency could not be achieved if it meant the loss of narrative information such as discussion on policies or management approach.

In the G2Guidelines, indicators were a mixture of requests for descriptions of management procedures and measures for outcome or performance oriented data. The draft G3 Guidelines propose to separate out results-oriented indicators from management information.

In order to bring more consistency, and to keep the indicators focused on eliciting performance oriented information, a new type of disclosure mechanism was created called “Disclosure on Management Approach” (DMA) which is designed to provide the space for organizations to discuss the context for their performance results, including policies, procedures, targets, etc. The indicators themselves have been refined so that they are results or outcome focused, and can be used to show change over time if results are compared year-on-year.



Disclosures on Management Approach

A set of Disclosures on Management Approach are found at the start of each of the six indicator sets (economic, environment, human rights, labor, product responsibility, and society) and are designed to elicit narrative or qualitative information about the management of each of these sustainability categories broadly. The management disclosures include discussion of policies, procedures, targets, etc. These disclosures are meant to set the context for sustainability performance information which follows next.

In the 2002 Guidelines, management disclosures were mixed in with the Reporting Elements and the Indicators. SFP participants challenged GRI on this, with a strong message that indicators that requested narrative descriptions or policy statements failed to show performance. It is hoped that the DMA can capture much of the important policy and management oriented information, and set the context for the results presented via the performance indicators.

Your input requested:

The challenge of creating performance-oriented indicators, yet maintaining space for context-setting was much harder in practice than in theory. In your opinion:

- Is the concept of splitting indicators and management disclosures useful?
- Is the current content of the management disclosures and the indicators right?
- Did we lose any essential process or narrative information from the G2 which should be included, particularly in the labour and human rights area?

Submit your opinion using the web-based public comment form found at www.grig3.org

Performance Indicators

The primary goals for indicator refinement were to enhance their clarity, comparability, and assurability, and ensure that they focus on effectively communicating performance. 'Performance' is considered the ability to track changes over time, and outcomes achieved as a result of the organization's actions. These results are placed in the context of stated policies, goals, and commitments to international standards. This context can be communication through the use of the DMA (above).

Main changes and points of interest for the indicators are:

1. Changes in the nature of indicators toward greater comparability
 - Each indicator was worded so that it would elicit comparable information - which means the reporting organization can report changes in specific issues/results over time
 - Biggest challenge lay with qualitative indicators. In some cases they were changed to quantitative measures, and in other cases they were broken into binary sub-components.
2. Changes to the indicator set as a whole
 - Effort to incorporate a degree of harmonization with definitions and terms used in existing international standards and with other tools
 - **Economic indicators** – retained concept of economic value added/wealth distribution, but expanded the section’s coverage of indirect economic impacts. Specifically included new indicators to highlight involvement in local markets as well as indicators related to new issues such as climate change and pensions coverage.
 - **Environment indicators** – mostly clarifications, refinements, and ensuring feasibility of measurement. Biodiversity indicators were streamlined to reduce overlap and inconsistencies.
 - **Labor indicators** – new topics added on gender, pay ratios, and skills development. Focus on making the descriptive process indicators into comparable qualitative or quantitative disclosures.
 - **Human rights indicators** – significant change in the section due to consolidations and refocusing on occurrence of incidents in order to get to comparable disclosures;
 - **Product responsibility and society indicators** – focused on a move towards comparability and also did a limited amount of consolidation. One indicator added on corruption.

Indicator count:

Attention was given to the cost of migrating from the 2002 Guidelines to the G3 Guidelines for organizations that already use the GRI framework for reporting. A

limited number of new issues were introduced in the areas of labor and economics, some indicators were consolidated, some were deleted, and other issues were given greater prominence, namely gender. The indicators are still categorized into five areas: economic, environmental, human rights, labor, product responsibility, and society.

G2 core	G2 additional	G3 core	G3 additional
50	47	47	32
Total: 97		Total: 79	

Indicator Protocols

A protocol was developed for each indicator. Protocols should be used when reporting on G3 indicators. Protocols are concise in length (approximately 1 page) and contain definitions of terms used in the indicator wording, a set of compilation methodologies or expectations, and a list of useful resources for the practitioner.

The development of the indicator protocols was prioritized because it was seen to be a significant contribution to achieving two of the major goals around the G3 development process:

- **Ease of use:** with a clear set of expectations, definitions, and compilation methodologies, reporting using the GRI indicators should become more straightforward. Use of protocols may save time by allowing people to communicate reporting needs internally more quickly
- **Comparability:** protocols will help to elicit similar responses in terms of data aggregation, presentation, etc.

3.2 How to participate in the public comment period

Anyone interested in reviewing the draft Guidelines is invited to do so. Your ideas and comments on the draft are considered very valuable to the process of developing the G3 Guidelines. In order to ensure your comments are considered in this process, please read the following conditions carefully.

Use the web-based form

The only way to submit your feedback is by using the web-based public comment form. Due to the expected volume of responses, this is the only way we are able to manage the feedback. Feedback submitted in any other format such as letters, word documents, emails, phone calls, etc., will not be accepted as contributions to the public comment period. The web based form is available at www.grig3.org

Mind the deadlines!

Responses in English are due by **31 March 2006, 23:59 CET**

Responses in French, Portuguese (Br.), Spanish, and Japanese are due by **20 March 2006 23:59, CET**

We apologize for being unable to process feedback in any languages other than those listed above. The web-based comment form will be removed from the website www.grig3.org on the dates and times indicated above. Late responses will not be accepted.

Consult available resources

There are several resources which you should review before filling out the public comment form on-line:

- **Draft G3 Guidelines** (www.grig3.org)
- **Print/PDF version of the G3 Guidelines Public Comment Form** available on www.grig3.org so that you know ahead of time which questions you will

be asked. Note that you cannot submit your comments using this form itself, your comments must be submitted via the web-based comment form online at www.grig3.org

- Attend a full-day “**Sneak Peek**” event in your area, where applicable (to register go to www.grig3.org)

Public Record and Privacy Policies

Comments submitted during this process are considered on the public record. Various GRI working groups and governance bodies will have full access to all comments. Any member of the public wishing to view the comments upon completion of the comment period will be granted access.

Your personal or professional contact details will remain confidential. Your contact details are requested in the web-based public comment form so that GRI researchers may contact you if they have any questions or clarifications associated with your submission.

Your comments must be attributable, and cannot be submitted anonymously. You may choose as to whether or not you would like your name associated with your comments, your organization’s name, or both.

General tips on the web-based Public Comment Form

The comment form is designed to elicit broad opinions and general views, as well as very specific detailed responses – such as suggested wording for an indicator. Appropriate spaces have been created in the form for these purposes.

Keep in mind that your comments will be reviewed as a whole, but also broken down and analyzed in aggregate in order to compare and contrast opinions from people of different stakeholder groups or across geographies. Therefore, be sure to fill in each field with a full response that is understandable on its own, and do not assume that the reviewer will be reading your responses in one continuous piece from start to finish.

In some parts of the comment form a 5-point scale is used to measure your level of satisfaction or agreement with particular parts of the draft G3 Guidelines. As a general rule, do not choose “not satisfied” or “disagree” options in the 5-point scales if you are unable to explain why or suggest ideas/solutions that would help improve your satisfaction with that item.

4. G3 Future (April – October 2006)

4.1 Upcoming milestones in the G3 development process 2006

The people have spoken!

Upon closure of the public comment period on 31 March 2006, all feedback received via the web-based comment form will be read individually, and analyzed in aggregate. A series of proposals for amending the draft G3 Guidelines will be compiled as a direct result of the feedback received. GRI's Technical Advisory Committee (TAC) will assess the public comments received, and oversee amendments to the draft accordingly.

GRI Governance bodies weigh in

Through June and July 2006 a draft that will be presented (in this order) to the TAC, the Stakeholder Council and the Board of Directors for their approval.

The TAC will be closely involved in the finalization of the draft, and they will also be the first body to pass a concur or non-concur vote on it. Once they render their decision it will be passed along to the Stakeholder Council for their consideration.

GRI's Stakeholder Council, consisting of 48 people from diverse geographies and professional backgrounds, will render a concur or non-concur vote on the Guidelines. The Council as a whole does not have a role to play directly in the technical development aspects of the G3 Guidelines (although individual SC members have participated in G3 working groups), but does play a very important role in influencing and recommending overall policy and activities of the GRI.

After the SC's consideration of the draft G3 it will go to the Board of Directors who will then determine whether it can be approved for release.

Join us in Amsterdam, October 2006

The launch of the G3 Guidelines is planned to be marked by an international conference in Amsterdam, The Netherlands from 4-6 October 2006. Visit www.grig3.org or www.globalreporting.org to find out more and to register to attend. Registration will be open by March 2006.

4.2 Outstanding elements for development in 2006

A new look for ‘in accordance’ status

The 2002 Sustainability Reporting Guidelines offered two options for declaring use of the GRI Guidelines: “with reference to” and “in accordance.” In the future, a system of approximately 3-5 reporting levels that reflect the extent of application of the GRI Reporting Framework will be designed. The reporting levels are expected to be self-declared and will assist report preparers and users by:

- helping report preparers that are just starting sustainability reporting to envision different approaches or phases for developing their reporting practices over time; and
- enabling report preparers to better express and stakeholders to more clearly understand how the GRI framework has been used in preparing a report.

The reporting levels will not be a substitute for independent assurance and will not attest to the accuracy of the information in a report or the performance of an organization.

To keep track of this development visit www.grig3.org and subscribe to GRI’s monthly newsletter.

Harmonization with corporate responsibility tools

The Guidelines seek to maintain their position as the primary vehicle for reporting performance against a range of codes, principles, and performance standards; and also to serve as the starting point for investors when seeking sustainability-related information. The main targets for harmonization have been identified as global norms (i.e., OECD Guidelines for Multinational Enterprises, Global Compact), financial sector tools (i.e., rating agency questionnaires), and assurance standards. The results of harmonization can be seen in two forms: a) changes to the Guidelines; and b) linkages between the Guidelines and other initiatives.

In terms of changes to the Guidelines, existing linkages between the G2 Guidelines and widely used codes and principles were taken into account. The Guidelines are still based on the major international conventions for human rights, labor and environment, so consistency will remain. In terms of creating direct linkages between the Guidelines and other initiatives, approaches will be developed in more depth in the first half of 2006. These require direct institutional relationships and mutual agreement between GRI and other providers of standards and codes on what the linkages are and how to present these.

In its future digital form, users of the G3 will have the option of working only with the Guideline document itself or working from a digital format which enables them to see the linkages with other standards and also directly draw on supporting GRI resources.

4.3 A new path for GRI post 2006

Along with changing expectations for the Guidelines themselves have come changing expectations for the role GRI should play. Strong demand from the network has resulted in GRI exploring opportunities to help increase the use of the Guidelines and the quality of reports prepared based on them. The following are some products and services GRI will offer post G3 launch in late 2006 or early 2007. These will be offered at accessible rates for non-profits and those organizations located in emerging economies. GRI's Organizational Stakeholders will have free or reduced access to these services and others.

Training and Knowledge Certification

Through partnerships with leading training and educational organizations, workshops and course content will be developed, including tutorials, tools, calculation examples, case studies, bulletin boards, a help desk, and a manual on the use of the Guidelines. GRI will partner with top education service providers to offer courses for both new and experienced reporters, and other interested parties.

The website is the most important medium for the dissemination of these new services. Web-based learning services will include on-line course modules, additional help tools, comparative dashboards, and advanced search functions for viewing reports registered on GRI's website.

Specifically for service professionals in the field of sustainability reporting, GRI will offer a recognized knowledge certification program that imparts a thorough understanding of the Guidelines, including the principles, indicators and reporting process. This exam-based program will be offered to a wide audience, including consultants, assurers, corporate staff, and technology partners. Individuals passing the exam will be considered "G3 Knowledge Certified" and are entitled to be listed in GRI's future online Business Directory.

GRI Goes Digital

By presenting the G3 Guidelines in a user-friendly digital format via website and CD-Rom, the Guidelines will be seamlessly integrated with other GRI framework documents such as Sector Supplements and Technical Protocols, and linkage resources with other corporate responsibility tools. This will create new options for users of the GRI to take advantage of all elements of the GRI portfolio.

The creation of an XBRL taxonomy for the Guidelines which will allow tagging of information and the speedy dissemination of information by reporting organization in a format that allows for easy benchmarking and manipulation for analysis. Opportunities created by XBRL will be taken into account in the final stage of drafting the G3 and integrating public comments, particularly for the indicators.

Is this all you need to know about the draft G3 Guidelines?
Please let us know if anything is missing at info@grig3.org

Don't forget to submit your comments on the draft G3 Guidelines via
the online public comment form prior to 31 March 2006

