CATALYST CSR DASHBOARD

GRI REPORTING SNAPSHOT

MARCH 2014

CATALYST

"[The GRI Guidelines] offer a globally relevant framework to support a standardized approach to reporting, encouraging the degree of transparency and consistency that is required to make information useful and credible to markets and society."

GRI 2013 [1]

Catalyst Australia's CSR dashboard released in 2013 reviewed sustainability reporting and performance of leading Australian companies. It analysed 32 companies across six topics - gender equality, labour standards, supply chains, environmental impact, sustainability engagement and community investment[2].

The sustainability engagement topic looked at what voluntary reporting and benchmarking initiatives companies were applying to guide and improve their sustainability disclosures.[3] This allowed researchers to identify which companies were applying the Global Reporting Initiative (GRI) reporting guidelines.

The GRI is the most widely used voluntary reporting framework[4] and provides direction on how companies should report and what information should be reported. Development and refinement of the guidelines is an extensive, multi-year, multi-stakeholder process drawing on expertise from business, investors, civil society, corporate accounting, trade-union and non-government organisations, academic and consultants and international standards and protocols.[5] The framework has been revised several times, and its fourth edition – G4 – was released recently.[6]

Global accounting firm KPMG has cited "almost universal" use of the GRI guidelines as evidence of improvement in the quality of sustainability reporting, noting that seventy-eight percent of 4,100 companies worldwide "refer to the GRI reporting guidelines in their [Corporate Responsibility] reports."[7]

Such vague statements, however, hide a wealth of varying degrees of comprehensiveness and quality of reporting against the GRI guidelines, as we outline in our analysis below. This found that of 16 companies applying the GRI guidelines, fourteen claimed higher levels of consistency with the GRI guidelines than was supported by their publicly reported information. Notably, external assurance did not appear to make a difference to the accuracy of claims. These findings confirm a previous review of 10 Australian companies which identified significant gaps between claimed levels of GRI reporting and the information found in company reports.[8]

Understanding the GRI guidelines

Disclosures required by the G3 guidelines (GRI G3)[9] are split across six topics: Economic, Environment plus four 'Social' topics: Labour Standards, Human Rights, Society and Product Responsibility. Additional industry-based guidance is provided in Sector Supplements.

The GRI G3 has three formal Application Levels: A, B and C. Companies claim one of these Application Level based on the number of indicators applied, drawn from the six topics, sector supplements and other required disclosures.[10] A higher application level implies to the reader that a company reports more comprehensively. Some companies who don't meet the minimum requirements for a GRI application level still state that their reporting is 'based on' the GRI guidelines but without demonstrating application of the GRI guidelines.

A company's application of the GRI guidelines is summarised in a GRI Content Index, which includes: the indicators the company is reporting against; the level of reporting against each of these indicators (ie, 'Fully', 'Partially' or 'Not Reported'); and the location where the relevant information for each indicator can be found.

The GRI G3 has recently undergone a substantial reform, leading to a new generation of guidelines (G4). The G4 adopts a different approach to application. For example, the above six compulsory topics are replaced with 'Material Aspects' chosen by each company. So rather than reporting against each of the required topic areas, companies have flexibility to apply indicators depending upon whether a topic or issue is deemed material to the organisation. Materiality is largely determined through company and stakeholder analysis.

A second distinction between the G3 and G4 concerns the Application Levels. Here the G3's levels of A, B, and C are replaced with 'In Accordance' criteria which are applied at two levels: Core and Comprehensive, and which relate, as before, to the number of indicators applied for each aspect. These differences are summarised in Table 1.

Table 1: Comparison of GRI G3 and G4 guidelines

	G3 requirements	**G4 requirements**
Indicators	Required reporting against Economic, Environment and Social areas	Company determines material areas for reporting
Application level	Claims a level of A, B, C or "based on Guidelines" depending on how many indicators are addressed. Company outlines whether indicators are 'Fully', 'Partially' or 'Not' reported.	Reports "in accordance with" criteria at either a 'Comprehensive' or 'Core' level depending on how many indicators are addressed. Company outlines whether indicators are 'Fully', 'Partially' or 'Not' reported.

The GRI (in)action

Twenty of the 32 sample companies that were analysed in the CSR Dashboard referred to the GRI guidelines in their sustainability (or equivalent) reports. This equates to 63 percent of companies – a slightly smaller proportion than the 78 percent found by KPMG in their survey of global companies.

Four of 20 companies in the CSR Dashboard sample simply mentioned the GRI guidelines, for example through a statement such as "Our reporting is based on the GRI guidelines". As these companies did not provide any evidence of their use of the GRI guidelines, they were excluded from the review below, which evaluated the claims of the remaining 16 companies[11].

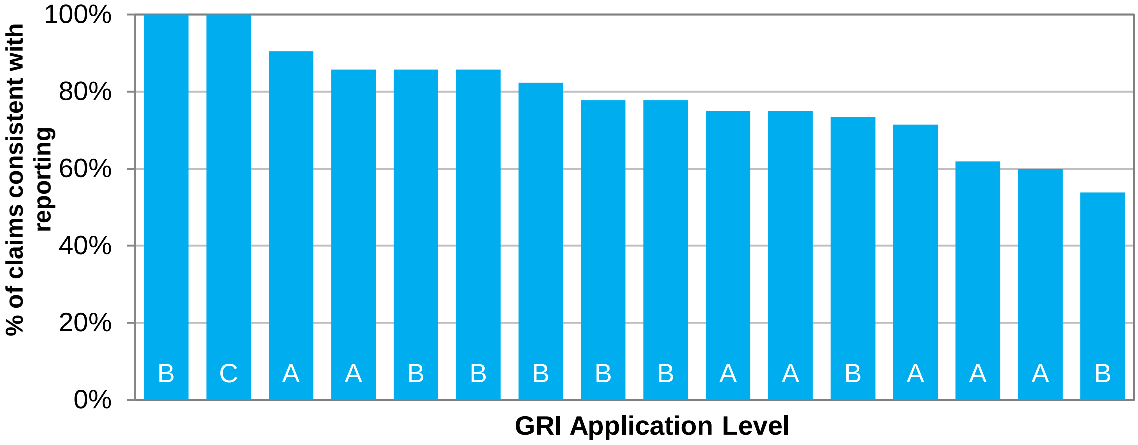
The review was confined to 21 indicators that formed part of the Catalyst CSR dashboard. A summary of these indicators is provided in the appendix. Researchers checked accuracy by examining reporting claims in the GRI Content Index for the selected indicators and verifying whether required details and information were provided in the body of the report. The level of detail was assessed as either fully or partially consistent with the company's claim in its GRI Content Index, or as 'not reported' when no information was found[12].

The review showed that in all but two of 16 cases, companies claimed higher levels of consistency with the GRI guidelines than was supported by their publicly reported information. In one case, only 54 percent of a company's claims were accurate compared with their reported information. It is worth noting that Telstra and Westfield were the two companies who achieved 100 percent accuracy in their claims.

Figure 1 summarises the accuracy of claims checked by application level. It shows that companies claiming a higher application level did not appear to be more consistent in their claims than others. In fact the opposite was true: five of the seven companies claiming an 'A' application level were in the bottom half of the 16 companies when it came to accuracy of claims, while only two were in the top half. Notably, the two companies achieving 100% accuracy claimed a more modest 'B' application level (Telstra), or 'C' in the case of Westfield.

Sustainability reporting is still relatively immature in Australia, and the GRI is a voluntary framework, so it is pleasing to see these sixteen companies attempting to standardise their reporting through the use of the GRI. This helps to make the information more accessible and useful to readers. However the level of inaccuracy found suggests that many companies have a tendency to overstate their compliance with the GRI guidelines. This is worrying because the GRI is seen as the pre-eminent sustainability reporting framework. These inaccuracies could undermine public confidence in the GRI guidelines as well as in companies' intentions.

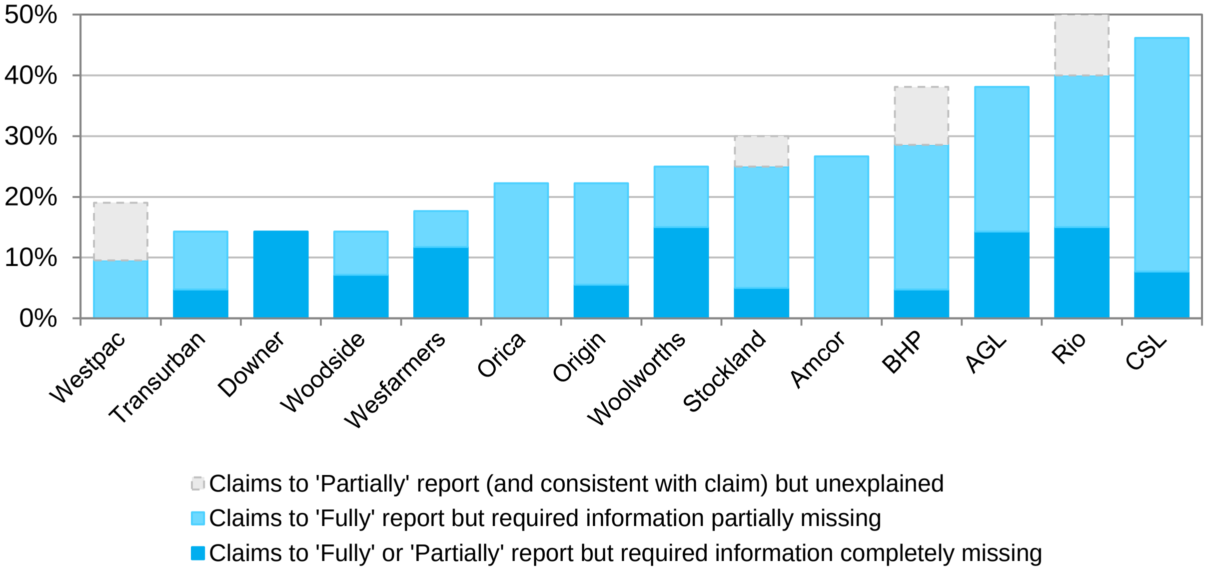
Figure 1: Accuracy of claims, by Application Level



Where are companies most inaccurate?

Figure 2 below shows that most inaccuracies concerned partial and missing information. In a large number of cases, despite claiming to report 'fully', companies simply did not provide enough information to meet the complete requirements of the indicator. In other cases information required by the indicator was completely missing. The research also found that some companies who claimed to only report 'partially' (and who were consistent with this claim) did not provide an explanation as to why reporting was only partial, even though there were instances where this was required by the guidelines.[13] The types of inconsistencies that were identified are summarised below.

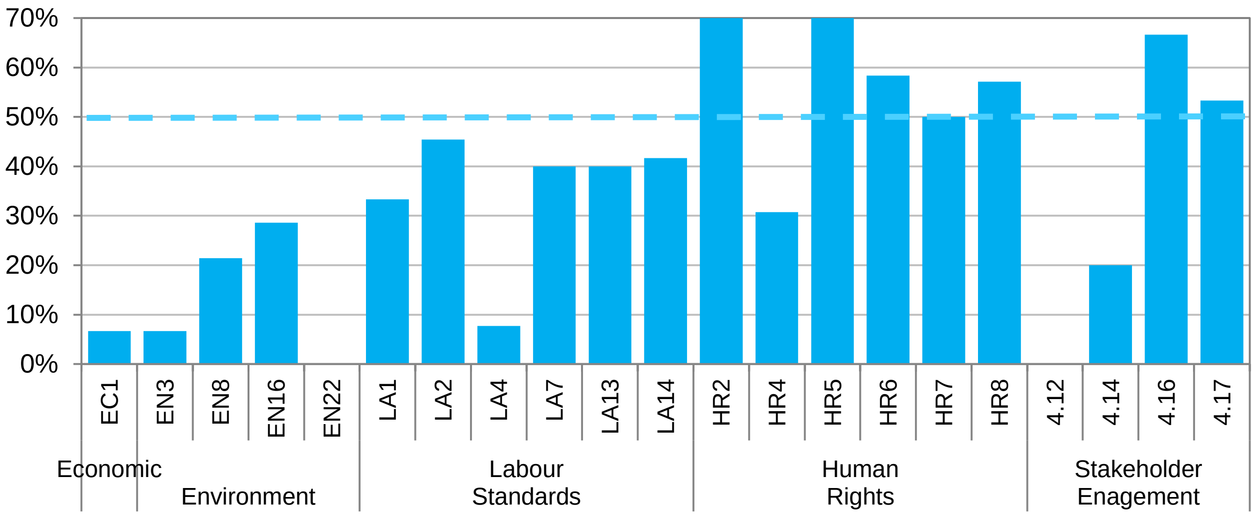
Figure 2: Types of inconsistencies



Interestingly, far fewer companies made inaccurate claims against the Economic and Environment indicators (ranging from 0% to 29%). Where there were inaccuracies in the Environment indicator these related to companies only providing partial information, for example, not breaking down information by source (for energy and water) or destination (for waste).

This was quite different to the level of inaccuracy regarding Labour Standards indicators where about 40% of claims were inaccurate. Here, companies seemed to struggle in providing all the metrics at the level of breakdown required. In addition, two indicators (LA4 and LA14) required a quantitative figure but there was a tendency for companies to only provide qualitative statements on policies. The Human Rights indicators had the highest number of inaccurate claims – more than 50% for all but one indicator, reaching 70% on two indicators.

Figure 3: Percentage of inconsistent claims by indicator



Does assurance make a difference?

There is a sensible assumption, as noted by KPMG, that external assurance and verification can help provide much needed credibility and boost confidence in reported information. However in this sample, neither external assurance nor verification appeared to increase the consistency of a company's GRI claims.

Thirteen companies in the sample chose to have their sustainability reports externally assured. Companies can seek one of two levels of assurance: 'reasonable assurance' (i.e. a high but not absolute level of assurance) or 'limited assurance' (i.e. a moderate level of assurance). The higher the level of assurance, the more rigorous the assurance process is. [14] Further, companies can define the 'scope' of assurance, i.e. how much of the report content is to be assured.[15]

Companies can take the additional step of requesting a GRI application level check, either from their assurer or from the GRI. This looks specifically at the GRI Content Index to verify whether required details and information are provided in the report. According to the GRI this confirms "the completeness and correctness of a report's GRI Content Index ... it indicates the extent to which GRI's Framework has been applied."[16] Ten companies in the sample received an application level check, three from the GRI, seven from the external assurer of their sustainability report and two from both the GRI and their assurer.

Table 2 shows that only one company receiving external assurance or an application level check was 100% consistent with their claims in their GRI Content Index. By contrast, in the majority of cases, neither the presence of external assurance nor external verification through an application level check actually assured the consistency of claims versus disclosures. This is worrying because assurance and verification are adopted precisely to confirm the integrity of a report. There are significant problems with the assurance and application level check frameworks if this is not occurring.

Table 2: Level of Assurance and consistency of checked claims

Company	GRI Appl. Level	Level of Assurance	Assurer	Application Level Check	Consistency
Telstra	B	Limited*	Banarra	Banarra	100%
Westfield	C	-	-	-	100%
Westpac	A	Limited*	KPMG	KPMG	90%
Transurban	A	Limited*	Ernst & Young	GRI	86%
Downer	B	Limited**	Ernst & Young	Ernst & Young	86%
Woodside	B	Reasonable*	Ernst & Young	-	86%
Wesfarmers	B	Limited	Netbalance	Netbalance/GRI^	82%
Orica	B	-	-	GRI	78%
Origin	B	Limited**	PwC	-	78%
Stockland	A	Limited	Netbalance	Netbalance	75%
Woolworths	A	Limited	Netbalance	Netbalance	75%
Amcor	B	Limited*	Netbalance	Netbalance	73%
BHP	A	Limited	KPMG	KPMG/GRI^	71%
AGL	A	Limited**	Netbalance	-	62%
Rio	A	Limited**	PwC	GRI	60%
CSL	B	-		-	54%

** Assurance scope limited to key sustainability data   ** Assurance scope limited to environmental/OHS data only*
^ Company requested an Application Level Check from the both the GRI and their external assurer.

Conclusion

While it important to distinguish the 16 companies willing to engage with sustainability reporting frameworks from those that did not, it is concerning that many companies appeared to misrepresent their level of compliance with the GRI guidelines. The current lack of consequences for companies who, deliberately or unintentionally, publish misleading and inaccurate sustainability information is a contributor to this situation. One way to address this is for non-financial disclosures to be given the same level of public scrutiny as financial ones, as Catalyst has previously recommended.[17]

It is further concerning that external assurance and verification did not pick up inconsistencies in the majority of cases. Doubtless companies, as well readers, have an interest in external assurance and verification being robust. The problems highlighted in this review underline the need for urgent improvements in assurance and verification systems for sustainability reporting, particularly the GRI Application Level Check process. If this does not occur, there is a risk to the strong reputation of the GRI guidelines as the world's preferred reporting framework for providing transparency and consistency.

Finally, the research found more pronounced gaps in some topics areas than others, which accentuates the need for much clearer guidance for companies in reporting about labour standards and human rights. This will require civil society and trade unions to engage more widely with the GRI reporting framework.

This review has taken place against a backdrop of two important reforms. The ASX recently introduced new Corporate Governance Principles and Recommendations that significantly boost the requirement for sustainability disclosures,[18] and the GRI released the new G4 guidelines with much stronger indicators for human rights, labour standards and supply chains.

It is too early to assess the impact of these changes, but one thing is clear: companies and assurers need to lift their game in providing consistent, accurate and credible information.

Appendix: Indicators assessed for common problems regarding accuracy of claims

Economic		
EC1	Direct economic value generated and distributed, including...donations and other community investments	No major issues.
Environment		
EN3	Direct energy consumption by primary energy source.	Reports total but does not break down by source (energy/water) or destination (waste)
EN8	Total water withdrawal by source.	
EN16	Total weight of waste by type and disposal method.	
EN22	Total direct and indirect greenhouse gas emissions by weight.	No major issues.
Labour Standards		
LA1	Total workforce by employment type, employment contract, and region.	Reports total numbers but does not provide any breakdowns
LA2	Total number/ rate of employee turnover by age group, gender, region.	
LA4	Percentage of employees covered by collective bargaining agreements.	Mentions support for collective bargaining but provides no figures
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Does not provide all metrics (generally only rates of injury and lost days, but not absenteeism, diseases, fatalities, etc.)
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Reports total numbers but does not provide any breakdowns
LA14	Ratio of basic salary of men to women by employee category.	May reference gender equality principles/policy, but do not provide ratio (overall or broken down)
Human Rights		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Mentions presence of policy as evidence, but does not mention assessment/corrective action
HR4	Total number of incidents of discrimination and actions taken.	Report number of incidents, but not actions
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Mentions presence of policy as evidence, but does not mention potential/identified risks
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	
HR8	Percentage of security personnel trained in the organization’s policies or procedures concerning aspects of human rights that are relevant to operations.	Not considered material by majority of companies
Stakeholder Engagement		
4.12	Externally developed economic, environmental, and social charters, principles to which the organization subscribes / endorses	No major issues.
4.14	List of stakeholder groups engaged by the organization.	No major issues.
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Reports stakeholder engagement mechanisms, but not frequency
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Reports stakeholder issues but not responses

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Thanks to Jo-anne Schofield and Peter Colley for comments on the paper.

All errors and omissions remain those of the author.

About Catalyst

Catalyst is a not for profit policy network established in 2007. We work closely with trade unions, non-government organisations and academics to promote social and economic equality and improved standards of corporate social responsibility.

Our founding principle is to produce work that promotes good lives, good work and good communities.

1 https://www.globalreporting.org/reporting/g4/g4-developments/Pages/default.aspx

2 For more information on the CSR Dashboard, including the methodology and process for selecting companies, see http://www.catalyst.org.au/documents/CSR_Dashboard/CSR_Dashboard_METHODOLOGY_A_More_Complete_Picture_of_Sustainability.pdf

3 The second aspect of the Sustainability Engagement topic looked at company approaches to identifying, consulting and responding to the concerns of stakeholders. Each of these two indicators contains a number of sub-indicators, and the individual company ratings are presented visually on the CSR Dashboard website www.csr.catalyst.org.au

4 KPMG (2013) *Survey of Corporate Responsibility Reporting 2013*. http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Pages/corporate-responsibility-reporting-survey-2013.aspx

5 For example, ILO Declaration on Fundamental Principles and Rights at Work, UN Global Compact, OECD Guidelines for Multinational Enterprises. Information on the development process of the latest version of GRI guidelines can be found at: www.globalreporting.org/reporting/g4/g4-developments/Pages/default.aspx

6 For analysis and discussion of the GRI and other Environment, Social and Governance reporting tools, see Parfitt C, Lynch G and Schofield J (2013) Tools for Assessing ESG Performance, Chapter 2 in *What is Wealth For? How Responsible Investment Can Shape the Future* www.catalyst.org.au

7 KPMG (2013) *Survey of Corporate Responsibility Reporting 2013*. The 4,100 strong survey of 100 of the largest companies in 41 countries sets out detailed country by country results in CR reporting.

8 Banarra Consulting (2009) *Labour Practices in Sustainability Reporting*, Report commissioned by the Construction, Forestry, Mining and Energy Union (CFMEU) http://cfmeu.com.au/sites/cfmeu.com.au/files/downloads/%5Bfield_download_state-raw%5D/%5Bfield_download_type-raw%5D/banarracfmeu2010labourpracticesreviewreport29mar2011.pdf

9 GRI G3, or Generation 3, was released in 2006 and an updated version G3.1 in 2011. At the time of Catalyst's review, the new GRI 4 was not publicly released. It is likely that many companies will take some time to transition from the GRI G3 to the more comprehensive fourth version – the GRI has indicated a transition period of two years.

10 Application Levels are a measure of the extent to which the GRI Guidelines and other Reporting Framework elements have been applied in the preparation of a report. Application Level Criteria sets out which indicators (including Profile disclosures, Management Approach disclosures and Performance indicators) a company must address to claim a particular level. In addition to claiming a level of A, B or C, companies can also include a plus ('+') to indicate that their report received external assurance. However this practice has not been incorporated into the new G4 guidelines, and therefore the issues associated with the use of the '+' have not been addressed in this report.

11 Twelve of the 16 companies applied the GRI G3. Four companies (Downes, Orica, Stockland and Woolworths) applied the G3.1 Guidelines.

12 Only the indicators which companies claimed to report against were evaluated. If a company did not report against an indicator (for example because it was not required by the version of the guidelines they used, or because they indicated that it was not 'material' to their business) it was excluded from calculation of the percentage for that company.

13 The GRI guidelines requires that companies claiming an 'A' Application Level report on all 'core' indicators for each topic, or "identify which part of the Disclosure has not been reported, and give a reason for omission for that part of the Disclosure in line with options outlined". For example, BHP states in regards to LA7 "this indicator is partially reported as we do not currently have the systems to report absenteeism at a Group level as this is managed at an operational level". Inconsistencies of this kind were not included in the calculation overall percentage of a company accurate claims.

14 Global Reporting Initiative (2013) *The external assurance of sustainability reporting*, https://www.globalreporting.org/resourcelibrary/GRI-Assurance.pdf; CPA Australia (2012) A Guide for Assurance on SME Sustainability Reports https://www.cpaaustralia.com.au/~/media/Corporate/AllFiles/Document/professional-resources/auditing-assurance/guide-assurance-sme-sustainability-reports.pdf

15 The scope of assurance can range from a narrow scope of specific data only, to a medium scope of all information in selected topics, to the broadest scope of the whole report. In addition, assurance of the data can be undertaken against specific criteria, such as the GRI G3 guidelines. In this sample, only Telstra, BHP and in selected instanced, AMCOR, had their assurance conducted using the GRI G3 guidelines.

16 https://www.globalreporting.org/reporting/report-services/application-levels/Pages/default.aspx

17 Catalyst has previously recommended that the Corporate Governance Principles of the Australian Securities Exchange (ASX) be expanded to provide guidance for sustainability reporting, including a requirement that senior executives of an organisation attest that sustainability reports present a 'true and fair' view. Klettner, A (2011) *The Governance of Sustainability*, research paper produced for Catalyst Australia Inc., and Catalyst (2011) *Steering Sustainability* http://www.catalyst.org.au/documents/full-disclosure/Steering%20Sustainability%20Centre%20for%20Corporate%20Governance%20Report%202011.pdf

18 These changes will require a listed entity to disclosure 'whether it has any material exposure to economic, environmental and social sustainability risks, and if it does, how it manages or intends to manage that risk'. This change, it says, reflects 'increasing calls globally for the business community to address matters of economic, environmental and social sustainability and the increasing demand from investors, especially institutional investors, for greater transparency on these matters so that they can properly assess investment risk.http://www.asx.com.au/documents/asx-compliance/cgc-pnr-and-recommendations-3rd-edn.pdf