# What is... GRI?

BANKTrack

**The Global Reporting Initiative (GRI) offers companies a standardized framework for sustainability reporting.** Hundreds of companies now voluntarily issue reports on the economic, environmental, and social dimensions of their activities, products, and services reports. But without a standardized reporting format, readers have no way of comparing one company against another, or understanding whether a company is improving its performance over time. In addition, having a standardized format for corporate sustainability reporting can help reduce "greenwash," and provide readers with information they actually care about.

The GRI guidelines are developed through multi-stakeholder processes. The GRI has published a set of standard GRI guidelines ("the Guidelines") for all companies, as well as a set of "technical protocols" that help companies implement the guidelines. The Guidelines are designed to be applicable to every kind of organization regardless of size, sector, or location. The current version of the Guidelines was published in 2002. A working group has been convened to work on a new version of the Guidelines, which will be finalized in 2006.

For some industry sectors, GRI has also developed specific "sector supplements" that capture the environmental, social and economic issues particular to that industry. In 2002, the GRI published a pilot version of a financial sector supplement that focused on social performance. An environmental performance supplement for the financial services sector has also been completed, and will be published in the beginning of 2005.

## The organization

The GRI has been established as an independent organization, with a Board of Directors as the highest decision making body. The Board is partly elected by the Stakeholder Council, which is comprised of 60 representatives from organizations around the world. The Board elects the Secretariat, which is the main executive body.

GRI's work is based on an extensive worldwide network of representatives from business, accountancy, investing and labour, human rights and environmental groups.

## The Financial Sector supplement on social performance

The GRI financial sector supplement's social performance indicators were released as a pilot version in 2002, and are ready to use by financial institutions. They were based on an existing effort, the Social Performance Indicators initiative ("SPI-Finance"), which was a collaboration among a group of European banks to develop social performance and reporting indicators for financial institutions.

The GRI social performance indicators identify key issues that should be covered by a financial institution's sustainability report:

- Management Systems: e.g. management of sensitive issues such as bribery and corruption and anti-money laundering; references international standards like the ILO standards
- Internal Performance: e.g. human resources policies like equal opportunities, stress and ergonomics, remuneration for senior management.
- Suppliers: e.g. whether/how the firm screens major suppliers based on the way supplier treat their staff and society
- Society: e.g. the firm's social performance in general, such as its impacts on communities and countries in which the business operates
- Retail Banking: e.g. how a firm promotes social inclusion through access to financial services, innovative products and financing to deprived communities
- Investment Banking: e.g. sensitive issues like developing country debt, bribery and corruption
- Asset Management: e.g. responsible marketing and advice; screening of portfolios against social criteria
- Insurance: e.g. sensitive issues like medical screening of clients and genetic testing; transparent commissions; level of access by women, elderly people, etc.

## The Financial Sector supplement on environmental performance

In 2004 GRI convened a working group, comprised of ten representatives from the financial industry and ten representatives of NGO's and sustainability rating agencies, to develop environmental indicators for the GRI financial services supplement. Although the pilot version of document is expected to be released in early 2005, the draft version that was released for public comment covered the following types of indicators:

- Environmental policies: e.g. environmental policies and standards applied to core business lines
- Environmental risk assessment: e.g. environmental risk assessment process for core business lines
- Environmental criteria: e.g. environmental criteria used in credit and investment screening processes
- Client monitoring: e.g. processes used to monitor client compliance with environmental standards
- Training: e.g. environmental training programs
- Auditing: e.g. auditing processes to ensure implementation of environmental management systems
- Environmental engagement: e.g. programs to engage clients on environmental performance; proxy voting practices
- Environmental products: e.g. specialized environmental products and programs
- Environmentally sensitive exposure: e.g. portfolio broken down by region and environmentally sensitive sectors

In the future, the GRI plans to develop a set of economic indicators, and integrate them with the existing environmental and social indicators to develop a comprehensive set of sustainability reporting indicators for the financial sector.

## Critical Issues:

With the proliferation of voluntary CSR reports, most civil society groups recognize the need for a standard set of reporting guidelines, and have thus welcomed the objective of the GRI. Since GRI's aim is to develop the guidelines and supplements in a truly multi-stakeholder process, NGO's are able to give their input and comments in the design. In the development of the Social Performance Indicators (SPI), however, some groups have criticized the work process, and the resulting guidelines.

- Lack of multi-stakeholder process. The pilot version of the Financial Sector Supplement - Social Indicators used a private sector initiative as basis. NGO's found this unsatisfactory as the guidelines were not developed in a transparent multi-stakeholder process. Southern NGOs were not involved during their development, whilst the financial firms determined the final indicators.

- Lack of some important sustainability indicators. Some NGO's critiqued the social performance indicators for focusing too much on internal corporate responsibility aspects, while giving little attention to the product and client side of the business. Indeed, in order to fully address important CSR issues, the SPI still lacks many indicators, such as: financial products that contribute systematically to economic or financial crises at the national and international levels; social impacts of speculative investment products; facilitation of "hot money" flows in and out of developing countries; providing services that allow clients to evade taxes (thus reducing governmental budgets that provide social services); and the social impact of mergers, acquisitions and company restructuring.

### Glossary:

**UNEP-FI:** Financial Sector initiative by the United Nations Environment Program.

### Web references:

www.globalreporting.org (homepage GRI)
www.banktrack.org
www.unepfi.net/gri
www.spifinance.com

**This fact sheet was produced by SOMO, centre for research on multinational corporations -www.somo.nl- for BankTrack, the campaigners network tracking the private financial sector.**
**T: +31-30-2334343, F: +31-30-2381112, E: coord@banktrack.org, www.banktrack.org**