Non-financial Reporting

GRI launches G4 : Materiality – at last…- at the heart of the matter

After two years of a revision process, the Global Reporting Initiative launched the G4 Guidelines. More than 1500 worldwide experts came to Amsterdam to see this latest edition, the collaborations in place, the reactions of practitioners. CAP conseil, certified training partner of GRI reporting in the Benelux, contributed to the event and offers you the following analysis.

You may recall that the previous 3.1 guidelines were seen as a transition between generations 3 and 4, considering the rapidly changing nature of the reporting landscape. The recent moves towards integrated reporting of the International Integrated Reporting Council (IIRC), the thoughtful contribution of ISO 26000, and the EU Commission issuing a draft Directive on ESG reporting has raised the level of demand in the sustainability reporting arena. Together with the need for a more logical, understandable framework for the guidelines, it created expectations for a GRI upgrade. Today, the GRI officially connects to initiatives like the OECD guidelines and the UN Global Compact, now referred into the text and in a list of quick links. But interrogations remain with regards to the true positioning vis-à-vis integrated reporting and ISO 26000. That is a matter to be continued…

How do the G4 guidelines raise the quality of sustainability reporting?

'**Reporting on what matters, where it matters'**. That's the new credo. By shifting from a mainly quantitative checklist to more qualitative, strategic reporting, G4 claims to focus on materiality at its best. This implies new sets of general and specific disclosures setting up a materiality matrix, mapping the stakeholders, their engagement and the results of the consultations, reporting about the activities in the supply chain – all linked to new indicators. And hopefully, shorter reports only on material topics.

What is new is the link between **boundary and materiality**. Depending on the result of your materiality exercise, the important topics to address may not be inside your organisation. The boundaries are moving. "*You will discover reports that follow the impacts of the reporting organization along its value chain to zoom in on material issues only where they happen*", says Serge De Backer, Business Partner at CAP conseil. "*It requires a sound capacity to gather information upstream, and that's a real challenge*". In addition is a focus on governance, ethics, management strategy and remuneration. These seem to be less of a concern to European companies, since various legislation already exists.

Even if the indicator protocols did not change a lot, **the overall logic is radically different**. "*I think smaller organisations will update their reporting messages and machinery more easily*", explains Marie d'Huart, Business Partner at CAP conseil. "*The new framework has been separated into 2 volumes. The first part is about the reporting principles and standard* *disclosures, i.e. the whole process of establishing a report plus advice on the materiality matrix and stakeholder engagement (the "what"). The extensive second part is a practical implementation manual to get quickly started in the writing (the "how"). Until the end of this year, you can still report according to the 3.1 guidelines. From 2014 onwards, the GRI checks will only be available for G4 reporting. And as of 2015, the new guidelines will be fully installed. In the meantime, CAP's official certifying training courses are already updated with GRI G4 transition modules, to help reporting organisations in their transition and improvement"*.

A moment of truth – more content, less PR !

In the vein of "back to essentials", GRI breaks the logic of checklist completion and moves away from pure communication: the A, B, C levels disappear, replaced by two distinctive options of accordance: the very demanding '**comprehensive'** option, and the more basic '**core'** option. G4 pushes reporters to focus on the essence. This maintains a certain hierarchy, while raising seriously the bar for the first entry level.

The overall "+" of **external assurance** also disappears, and becomes part of the content index, as indicator-per-indicator verification: now every single aspect of the report gets a separate plus - or not - and it's visible.

The **verification** process will have to follow this approach: learn to better appreciate the materiality process, the boundary of impacts, the governance issues, the stakeholders engagement, as these are now indicators to fulfil. This moves the focus of current external assurance to more relevance: is the story in the report really what matters, and told where it matters? It is also time for reporting auditors to jump on content and quit the comfortable seat of meaningless process auditing. Finally, real added-value for Society…

Is such a high level of detail and sincerity likely to embed more effective sustainability practices into businesses? It could be a **moment of truth**: companies that are serious about sustainability will be comforted by the fact that their processes and practices are worth explaining, and will find their way in the new logic. Organisations that, until now, merely juggled with the guidelines for PR purposes, without real application of their principles or interesting content to tell, will have to choose: get real to be in accordance with G4, or quit pretending they're sustainable. They will just be allowed to say that their reporting "is inspired by the GRI", but it won't be a GRI report anymore.

To dig into the topic and **read more**, follow the links to :

- G4 guidelines – official version
- GRI survey "The sustainability content of integrated reports – a survey of pioneers" – GRI, 2013
- Draft IIRC framework – currently open for consultation
- Parliament and Council EU directive on non-financial information reporting for big companies.
- Article of the Guardian sustainable business blog: What's the purpose of sustainability reporting ?