

G4 Sustainability Reporting Guidelines

What you need to know:

- ▶ The Global Reporting Initiative (GRI) has launched the G4 Sustainability Reporting Guidelines to improve sustainability reporting, thus benefiting reporters and stakeholders.
- ▶ Reports published after 31 December 2015 should be prepared “in accordance” with the Guidelines.
- ▶ The Guidelines harmonize as much as possible with other international standards, such as the United Nations Global Compact’s, *Ten Principles*.
- ▶ The Guidelines focus on material topics, or “Aspects.” They provide guidance on how to identify material Aspects and explain how to determine where boundaries are set, so reporters can focus on the impacts that really matter.
- ▶ Reporters have two options for reporting “in accordance” with the Guidelines.
- ▶ A new Disclosure on Management Approach (DMA) has been introduced to explain how the organization is managing its material aspects.
- ▶ GRI recommends that reporters seek external assurance on their sustainability report.

Introduction

In May 2013, the Global Reporting Initiative (GRI) launched the fourth generation of its sustainability reporting guidelines: the GRI G4 Sustainability Guidelines (the Guidelines). This latest round of Guidelines took more than two-and-a-half years to develop. A broad range of stakeholders were consulted, from expert Working Groups to public comment.

EY has played an active role in the development of the Guidelines. Denise Esdon, an EY partner, is Chair of the GRI Technical Advisory Committee; EY was a member of the G4 Consortium; and a number of EY practitioners were seconded to the GRI Secretariat.



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The first objective of the Guidelines is to provide a global framework that supports a standardized approach to transparent and consistent sustainability reporting. A second, equally important objective is to drive organizations to prepare more relevant and credible sustainability reports by focusing on the topics that are material to their business and their key stakeholders, thus enabling such sustainability reporting to become standard practice.

This paper describes the key features of the Guidelines and how EY can help you implement them.

New structure and format

The Guidelines are now presented in two parts to facilitate the identification of the reporting requirements and the related guidance. Part 1, *Reporting Principles and Standard Disclosures*, in addition to containing the reporting principles and standard disclosures, also sets out the criteria to be applied by an organization to prepare its sustainability report in accordance with the Guidelines. Part 2, *Implementation Manual*, contains reporting and interpretative guidance that an organization should consult when preparing its sustainability report.

The Guidelines are designed to align and harmonize as much as possible with other internationally recognized standards. The Guidelines provide links with the United Nations Global Compact's *Ten Principles*, 2000; the OECD's *Guidelines for Multinational Enterprises*, 2011; and the UN's *Guiding Principles on Business and Human Rights*, 2011.

Report content

Focus on material topics, or Aspects

The Guidelines clearly establish that the reporting principles must be applied by an organization when it prepares a sustainability report. They also provide strengthened explanations on the sequence of the principles' application. While the reporting principles themselves have not changed since the previous G3 and G3.1 Guidelines were issued, the G4 Guidelines offer an updated process for defining report content. They provide stronger guidance on how to determine material Aspects and the impacts they may have.

This means that an organization will define the content of its sustainability report by:

- ▶ Identifying relevant topics and assessing their effects on its activities, products, services and relationships, regardless of whether these impacts occur within or outside the organization, or both
- ▶ Identifying the boundaries that determine whether the impacts occur within the organization or outside it
- ▶ Prioritizing the identified Aspects, based on their materiality, to determine which ones should be reported and how much coverage should be given to each one
- ▶ Disclosing the management approach and the indicators related to the material Aspects

In accordance criteria

The Application Levels set out in the G3 Guidelines have been dropped. This follows stakeholders' concerns that they were wrongly understood by some report users as being an opinion on the quality of the report, or even a reflection of the sustainability performance of an organization. They have been replaced by criteria to be applied by an organization as it prepares a sustainability report in accordance with the G4 Guidelines.

The Guidelines offer two standalone options to demonstrate that the organization's sustainability report complies with the Guidelines. They are the Core option and the Comprehensive option.

▶ The Core option

This option contains the essential elements of a sustainability report and provides the background against which an organization communicates the impacts of its economic, environmental, social and governance performance. Under the Core option, an organization must report at least one indicator for all identified material Aspects.

▶ The Comprehensive option

This builds on the Core option, by requiring a number of additional disclosures about the organization's strategy and analysis, governance, ethics and integrity. Under the Comprehensive option, an organization must report all indicators for all identified material Aspects.

Regardless of its size, sector or location, an organization chooses the option that best meets its reporting needs. There is no set expectation that an organization will transition over time from the Core option to the Comprehensive option. However, some organizations may choose to do so as they become experienced reporters or if they decide that it would help to meet their stakeholders' needs.

An organization can claim that its sustainability report has been prepared in accordance with the Guidelines only if it has fulfilled all of the requirements for either the Core or Comprehensive option and has included in its report a GRI Content Index in the prescribed format.

The Guidelines recognize that, in exceptional cases, it may not be possible for an organization to disclose certain information. In those cases, the report should clearly identify the required information that has been omitted and indicate which explanation – from a list provided in the Guidelines – applies to the omission.

An organization that partially applies the Guidelines can choose to disclose that its report contains standard disclosures from the GRI Sustainability Reporting Guidelines. However, the organization must list these disclosures and their location in its sustainability report. This alternative may be useful for organizations that are required to report certain indicators under a regulatory framework, or for first-time reporting organizations that need a longer transition period before they can claim full compliance with the Guidelines.

Disclosure on Management Approach

The Disclosure on Management Approach (DMA) provides the organization with an opportunity to explain how it is managing material economic, environmental and social impacts.

The Guidelines introduce a generic DMA that is consistent in terms of format and structure for all identified material Aspects. It requires management to explain:

- ▶ Why an Aspect is material and what impacts make it material
- ▶ How the organization is managing the material Aspect – for example, what is its current process, strategy, goals or commitments
- ▶ How management evaluates the effectiveness of its approach, the results of such evaluation and any adjustments that are made

Aspect-specific DMA must be provided for the identified material Aspects that are covered in the Guidelines.

New and revised disclosures

The Guidelines introduce new and revised general standard disclosures in a number of areas. They reflect the closer attention that stakeholders and regulators now pay to these Aspects. Guidance covers:

Governance

- ▶ The governance structure of the organization, including committees of the highest governance body
- ▶ Identification of any committees responsible for decision-making on economic, environmental and social impacts

Additional disclosures are required when the organization reports under the Comprehensive option.

Supply chain

- ▶ Description of the organization's supply chain
- ▶ Assessment of supply chain impacts and the approach to managing them
- ▶ Impacts to be considered include labor practices, human rights and the environment

Ethics and integrity

- ▶ The organization's values, principles, standards and norms of behavior, such as codes of conduct and codes of ethics

Specific standard disclosures

In addition, new specific standard disclosures have been added for anti-corruption practices, greenhouse gas (GHG) emissions and energy. These disclosures are required when the Aspects to which they relate have been identified as material.

Sector disclosures

The content of the 10 sector supplements that have previously been published by the GRI has been reorganized for use with the Guidelines. The 10 have been renamed sector disclosures. In order for the organization to claim that its report has been prepared in accordance with the Guidelines, the general and specific sector disclosures must be provided if they apply to the organization's sector.

What does this mean for you?

- ▶ The emphasis on materiality will allow you to report information that is critical to your business and stakeholders.
- ▶ Reporting on sustainability impacts that matter will enable your report to deliver a more strategic and focused message.
- ▶ For first-time reporters, begin using the Guidelines, even if your report does not fulfill the requirements of the "in accordance" options in the first reporting cycle.
- ▶ For existing reporters, use the materiality principle to assess what is material for your organization. Use the transition period to build toward reporting "in accordance" after 31 December 2015.
- ▶ The clearer and technically improved guidelines will facilitate the provision of external assurance.

External assurance

The GRI continues to recommend that an organization seeks external assurance on its sustainability report. However, this is not required in order for an organization to claim that its sustainability report is in accordance with the Guidelines. The "+" sign, denoting external assurance in a sustainability report, was not retained in the Guidelines because it signaled different types of external verification or levels of assurance. An organization can now indicate in the GRI content index which disclosures have been externally assured and insert a cross-reference (either the page number or link) to the external assurance statement included in the sustainability report.

Effective date and transition

The Guidelines are effective for reports published after 31 December 2015. This gives reporters two reporting cycles to complete their transition to G4. Earlier adoption is permitted, and first-time reporters are encouraged to use the Guidelines, even though they may be unable to claim compliance with them in their first reporting cycles.

Integrated reporting

The GRI had a number of objectives in mind when developing the Guidelines. One was to offer guidance on how to link the sustainability reporting process to the preparation of an integrated report, based on an integrated reporting framework to be developed by the International Integrated Reporting Council (IIRC). The GRI was unable to complete this part of the project because of timing differences with the completion of the IIRC's Integrated Reporting Framework. However, Part 1 of the Guidelines offers an explanation of the key relationship between integrated reporting and sustainability reporting.

How EY can help

EY recognizes that organizations will need different levels of support and advice, depending on their experience in sustainability reporting. Please contact us and we can advise you on:

- ▶ Creating sustainability strategy and governance
- ▶ Conducting a materiality assessment
- ▶ Using leading practices to design and implement systems, processes and controls to measure performance
- ▶ Drafting your organization's sustainability report

EY Sustainability and Cleantech Services

For further information on the Guidelines and other EY Sustainability and Cleantech Services, please contact:

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