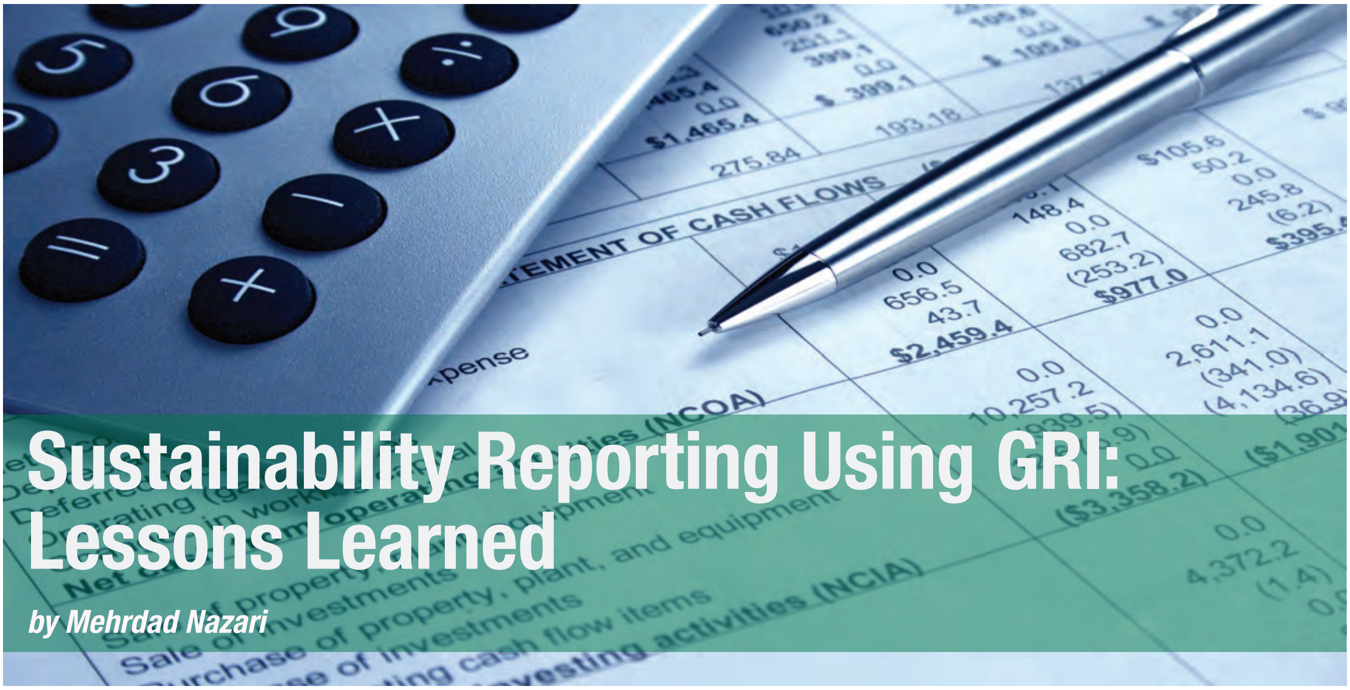

Sustainability Reporting Using GRI: Lessons Learned

by Mehrdad Nazari

Sustainability reporting in mining has grown dramatically in the last couple of years, especially since the industry converged around the Global Reporting Initiative (GRI), the world's most widely used sustainability reporting framework.

GRI is an Amsterdam-based foundation that is also a collaborating centre for the United Nations Environment Program (UNEP). The origin of GRI dates back to 1997, when it emerged from a project incubated by the Boston-based nonprofit CERES, a national network of investors, environmental organizations and other public interest groups. By 2006, GRI had already released its current, third generation of guidelines (known as GRI G3), which have been developed using a multi-sectoral and consensus seeking approach.

Today, GRI is short-hand for "triple bottom line reporting" on organizations' economic, environmental and social performance. However, there are still a few misperceptions and reporting barriers, some of which were identified during discussions with over 90 attendees of ten GRI-certified short courses delivered from Jan. to July 2009 in Canada and the U.S.

The Usual Suspects

Given considerable stakeholder and investor interest, the majors in the extractive sector have been at the forefront of sustainability reporting. Already, in January 2005, the members of the International Council on Mining and Metals (ICMM), a CEO-led industry group, agreed to report on their sustainable development performance using the GRI framework. ICMM has also been involved as part of a multi-stakeholder working group to develop GRI's Mining and Metals Sector Supplement (currently available in a draft final stage).

GRI's own strategies to increase sustainability reporting uptake include the launch of its certified training program. By September 2009, over 1,000 individuals were trained in GRI-certified courses offered by 27 GRI-approved training partners in Brazil, Canada, Hispanic Americas, India, Japan, Republic of Korea, Spain, South Africa and the U.S.

Reporting Drivers

On behalf of LEAD Canada, a GRI-approved training partner since late 2008, I pioneered the development and delivery of GRI-certified courses in Canada and the U.S. Between January and July 2009, ten GRI-certified, 2-day short courses were delivered to over 90 course participants in Montreal, Toronto, Vancouver, Winnipeg, Chicago and New York.

Discussions during the courses point to a number of business drivers, which seem to be contributing to an increasing interest in sustainability reporting and underlying CSR activities. The global brand value and commonly accepted GRI framework is being viewed as an attractive incentive to "upgrade" from partial reporting, alternative or less recognizable reporting frameworks.

In the context of Canadian listed mining companies, this includes considerations of questions around complementarities and degree of global recognition associated with the Mining Association of Canada's (MAC) Towards Sustainable Mining (TSM) initiative, and the Prospector and Developer Association of Canada's (PDAC) e3 Plus, a framework for responsible exploration. Also, the Canadian Government's March 2009 publication of a CSR strategy for Canadian International Extractives, which promotes sustainability reporting using GRI, has generated renewed interest in the GRI framework. Other leading drivers noted during the courses include reputational risk management, climate change related drivers, shareholder advocacy and the opportunity to use the reporting process to support and drive CSR strategy, integration and culture.

Reporting Barriers

As a course instructor trained directly by GRI, I have been interested to observe the discrepancy between GRI's intent and external perception of certain elements of the GRI framework. The discussions during the courses show significant misperceptions and concerns associated with Performance Indicators, declaration of Application Level and the concept of assurance.

First time reporters can be forgiven for feeling overwhelmed when they realize that there are nearly 80 Performance Indicators in the general GRI guidelines (not counting other disclosure requirements ranging from organizational profile to sector supplements). In practice, using research readily available from many industry associations, stakeholder engagement and GRI's materiality tests can help companies focus their efforts and develop credible sustainability reports. Experience suggests that mining companies, once past the early exploration phase, have already generated large parts of the required data. Also, for first-time reporters, GRI advocates 'C-level' reporting (see also below), which requires only a minimum of ten Performance Indicators, for which GRI has also provided a "Let's Report" template.

Application Level

GRI's guidelines note that reporters should declare an Application Level, each of which is designated as A, B or C with a "plus," if externally assured. These levels reflect decreasing coverage of the GRI reporting framework (including number of Performance Indicators reported on). A common misperception is that Third Party Check and/or the GRI Check consititute an opinion on the value or quality of the data contained in the report. This is not the case.

Also, the Application Level declaration appears to be creating psychological and legal barriers to sustainability reporting. In North Amercia, the use of A, B and C conjurs up images of school grades. Imagine the challenge of approaching your CEO and requesting resources to generate a sustainability report which targets a "C," an entry level advocated by GRI for first-time reporters.

In addition, there are potential legal concerns, which seem to be more strongly felt in the U.S. Recognizing that the data quality may well vary between different operations and in different jurisdictions, at what stage is data quality sufficently robust to have a "fully reported" Performance Indicator? How do you count and/or substitute different types of GRI Performance Indicators (core, additional, draft/pilot sector supplements)? Although very pragmatic approaches can be applied to resolve these questions, it is not surprising that an increasing number of reporters appear to bypass this topic altogether. GRI's database shows that, in 2008, over 28 percent of sustainability reporters (including major global brands) did not include their declartion of Application Level. In 2007, this number was 16 percent.

Assurance

According to AssureView, The CSR Assurance Statement Report (2008), published by CorporateRegister.com, the assurance process for sustainability reporting aims to help the user answer this question: is the report accurate and does it tell the whole story? Assurance is also an important tool that can be used to scrutinize and further improve internal systems. The AssureView report shows that North America's assurance rate of nearly eight percent lags considerably behind Europe's 30 percent in 2007. Similar to many course participants prior to attending the courses, most report users may well not be looking past the letterhead of the assurance provider and may thus be making unjustified assumptions about the level of scrutiny applied to the data and descriptions contained in sustainability reports.

Don't Leave Money on Table

The report, "Count me in: The Readers' Take on Sustainability Reporting" (2008), which was developed by SustainAbility and KPMG and captured views of nearly 2,300 survey respondents, confirmed that publishing a sustainability report has a strong positive impact on readers' perceptions of a reporter. The report also notes that ninety percent of readers indicated that their views of a company had been influenced by reading its sustainability report. Of these, 85 percent indicate a more positive perception. It seems that more mining companies that are keen to generate their social licence and differentiate themselves from their peers could use sustainability reporting to avoid leaving too much "reputational value" on the proverbial table. ■

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Links and References

- AssureView, The CSR Assurance Statement Report
- CERES
- CorporateRegister.com
- Count Me in: The Readers' Take on Sustainability Reporting
- Global Reporting Initiative
- GRI's Mining and Metals Sector Supplement
- ICMM
- KPMG's International Survey of Corporate Responsibility Reporting
- Let's Report - template
- Mining Association of Canada
- Prizma LLC
- Prospector and Developer Association of Canada
- Towards Sustainable Mining
- UNEP

Click here for full list of links:
http://go.mining.com/nov09-a11