Commentaries on the Implementation of the GRI Framework for Corporate Sustainability Reporting in Mauritius and the G4 Guidelines

Prakash (Sanju) DEENAPANRAY
&
Anneloes SMITSMAN

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Summary

ELIA – Ecological Living In Action Ltd has been providing technical and advisory services to companies in Mauritius to carry out Corporate Sustainability (CS) reporting using the Global Reporting Initiative (GRI) framework since 2011. Based on this experience, ELIA has been invited to participate in a national workshop to be held on 5 November 2013 for the launching of the G4 Guidelines of the GRI in Mauritius. We have taken this opportunity to develop an ELIA position paper containing commentaries on the:

1. Performance of companies to implement the generic features of the GRI Guidelines and Protocols;
2. Features of the newly developed G4 Guidelines; and
3. The political economy of Corporate Sustainability reporting.

The first set of commentaries cover the following topics:
- Multi-stakeholder processes;
- Medium-to-long term strategic planning;
- Linkages between corporate social responsibility and the GRI framework; and
- Institutional design for sustainability.

The second set of commentaries cover the following issues:
- Accepted approaches, methodologies, or principles;
- Precautionary principle;
- Ethics and integrity; and
- Core versus comprehensive 'in accordance' options.

Our on-the-ground experience has shown that the political economy of CS reporting cannot be underestimated. This issue is discussed in Section 3.

This position paper has been developed with several objectives in mind, namely to: (i) feed into the panel discussions during the launching of the G4 Guidelines in Mauritius; (ii) inform about the obstacles or challenges that prevent companies to fully capitalize on the GRI reporting framework to derive sustainable development dividends; (iii) put into perspective anticipated challenges that companies may face regarding implementation of the G4 Guidelines by 31 December 2015; and (iv) provide constructive feedback on how the G4 Guidelines may be enhanced to better serve reporting organizations.

The commentaries and reflections provided in this working paper pave the way for the further development of structured technical and advisory services and corporate sustainability training to better support sustainable development orientations in organizations. Based on our learning-by-doing capacity development approach, it is our strong belief that such services cannot be provided productively (efficiently and effectively) by a remote Centre like the newly established GRI Regional Centre in South Africa. We need more localized institutions, like the recently

proposed institutional collaboration between the Mauritius Institute of Directors (MIoD) and ELIA, which then receive technical backstopping support from the GRI Regional Centre.

1. Commentaries on organizations' capacities to respond to the generic requirements of the GRI

This section provides our reflections on the performance of organizations in responding to the generic features of the GRI framework. Hence, there are equally applicable to the G3.1 and G4 Guidelines (especially the Comprehensive reporting option of the latter).

1.1 Multi-stakeholder engagement for sustainability

A central feature of the GRI framework is the requirement for stakeholder inclusiveness in all the steps of defining material Aspects and Boundaries – i.e. Step 1 on Identification; Step 2 on Prioritization; Step 3 on Validation; and Step 4 on Review – as depicted in **Figure 1** shown below.
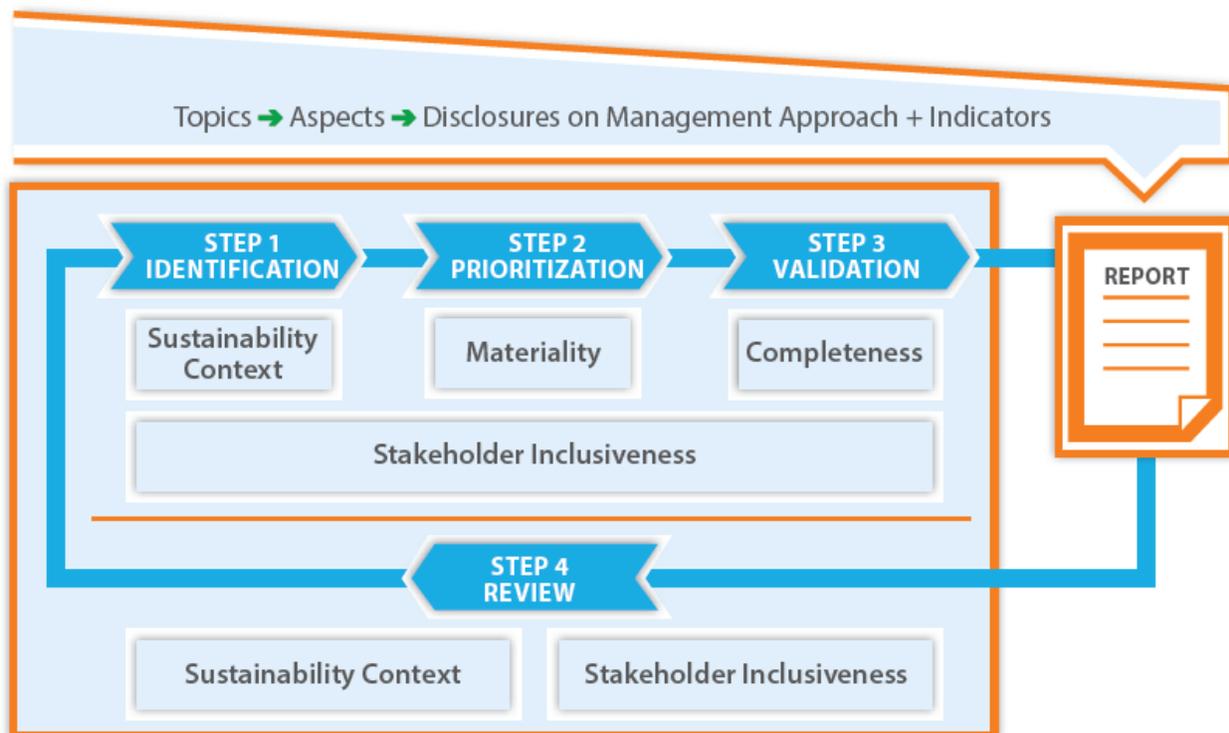
Figure 1. Defining material Aspects and Boundaries – process review.

By large, most organizations we have worked with do not have a methodological and systematic approach to carry out a comprehensive mapping of their stakeholders, including their identification, and engaging with them in a meaningful way in defining the sustainable development orientations of the organization. Typically, organizations adopt the generic list of stakeholders proposed in the

Implementation Manual without characterizing the ways in which the organizations affect them and vice versa.

While the G4 Guidelines will put more emphasis on 'materiality', meaningful stakeholder engagement will become more important. In this respect, it would be useful if the Implementation Manual would provide guidance on established methodologies and approaches that can be applied for this purpose. It is pointed out that Stakeholder Engagement (G4-24 to G4-27) will be mandatory reporting elements in both the 'core' and the 'comprehensive' options for reporting 'in accordance' with the G4 Guideline.

We provide here three examples of stakeholder mapping and/or engagement methodologies that ELIA has applied in various projects. **Annex 1** provides the generic framework for a multi-stakeholder process that has been applied for sustainable development purposes in different contexts. Another example is the dialogue methodology that ELIA has applied in the context of the Rio+20 Conference (February to June 2012) to engage multiple stakeholders, including the private sector, for sustainable development input. ELIA has also introduced the market mapping technique to the MIoD[1] for identifying stakeholders in the supply chain (upstream and downstream), and the enabling environment (including the business service providers) in which the organization operates. The market mapping technique can be further developed to cover the stakeholders that are impacted by the operations of the organization.

1.2 Medium-to-long term strategic planning

The GRI framework provides a window for organizations to take a **systems approach to organizing its operations**. In fact, the framework allows the organisation to: (i) see arising problems or impacts of corporate activities early (or earlier than competitors); (ii) have a better understanding of how severe those problems or impacts of corporate activities are; (iii) the concern for sustainable development and a sense of possibility for a better future causes the organization to think differently about the problems and how they are interrelated; and (iv) by focusing on *medium-to-long term* strategies and making use of a multitude of performance indicators to track the health of the organization, it is able to take into account the larger systems in which they operate, instead of simply fixing isolated problems.

It should also be noted that an inherent characteristic of sustainable development is the requirement to institutionalize the future in present actions and approaches. This is evident when considering sustainability principles such as the 'precautionary principle' or 'intra-generational equity'. These principles require trade-offs between short-term and medium-to-long terms objectives, including goals and targets. Medium-to-long term strategies and action-plans are also required to deal with operational impacts whose causes are decoupled in space and time, or to deal with external impacts that may influence (positively or negatively) the operations of the organization (across entire value chains). An example of the former would be the support given to labour practices that may enhance social

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[1] The market mapping approach was not applied in MIoD's Integrated Annual Report 2012-2013.

disparities over periods of time that exceed a decade.[2] An example of the latter is the future impacts (beyond the 2050 time horizon) of climate change.

We have observed that organizations in Mauritius do not generally have a comprehensive medium-to-long term strategic plan with well-defined goals and targets. Where they do exist, the sustainable development orientations can be questioned for the lack of a sound understanding of sustainability issues and/or a thorough understanding of sustainable development principles.

In addition to not being able to deal with opportunities and risks that may emerge in the medium-to-long term, organizations also miss a critical aspect of corporate sustainability reporting – i.e. reporting should be done against medium-to-long terms sustainability goals and targets rather that reporting on historical events in a business-as-usual scenario. This reveals a large gap in the transformational change that is required to re-orient societies towards sustainability. Organizations are predominantly steered by conventional thinking that sustains the status quo; discounting information from future scenarios with regards to sustainable development to inform their medium-to-long term strategic planning.

Several options are available to bridge this gap (not exhaustive):

- Provide dedicated training on sustainability issues and sustainable development principles. A comprehensive course will also provide training and capacity development of tools, methodologies, processes and institutional arrangements that are necessary to understand and internalize sustainable development in the organization's operations;
- Technical and advisory services provided to organizations to subscribe and apply well-established sustainable development charters, such as the Earth Charter and the Human Rights Charter of the UN;
- Provide support to organizations, especially in the private sector, to adopt the Vision 2050 and Action2020 of the World Business Council for Sustainable Development. Through the project ISLANDS, ELIA is currently engaged in discussions with the WBCSD to support private companies in the South West Indian Ocean Region to adopt Action2020.

1.3 Corporate Social Responsibility in the GRI Framework

By law, profit-making companies have to subscribe to the Corporate Social Responsibility scheme of the Republic of Mauritius. Accordingly, the CSR activities are reported in the GRI sustainability reports under the Social Category. While this is commended, companies can do better by highlighting the linkages between the GRI Reporting Framework and the ISO 26000:2010 guidelines for Corporate Social Responsibility. To achieve this, companies should simply follow the manual entitled "GRI and ISO 26000: How to use the GRI Guidelines in conjunction with ISO 26000"

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[2] While monthly average household income has increased from Rs 14,230 to Rs 29,360 between 2001/02 and 2012, respectively, social inequity has increased as revealed by the increase in the Gini Coefficient from 0.371 to 0.413 over the same period of time (*Source*: Statistics Mauritius (2013) Household Budget Survey 2012).

1.4 Institutional Arrangements to deal with Corporate Sustainability

It is now a well-established fact that sustainable development is here to stay! This reality is putting increasingly more pressure on organizations to re-orient their operations and management processes, not necessarily by applying penalties, but by providing new opportunities for business development.[3] This challenge is also forcing organizations to change their organizational structures to better deal with these sustainability-driven changes.[4]

Adopting the GRI framework to carry out CS reporting provides a good opportunity for organizations, especially large and diversified companies, to re-vision and re-engineer their organizational structures to better deal with sustainability issues. A good example in Mauritius would be Omincane Ltd that has established a Corporate Sustainability Department that is directed by a Chief Sustainability Officer who reports directly to the Chief Executive Officer. Our experience has shown that this structure has been instrumental in increasing the absorption capacity of the organization to internalize integrated CS reporting as a strategic sustainability tool.

It would be advisable for other companies to learn from the Omnicane experience in institutional design for sustainability. It is also recommendable that institutional arrangements are made for data-collection and date-analysis in a systemic and consistent way to ensure that the 'Comparability principle' as outlined in the G4 Guidelines, can indeed be achieved. More about this in Section 2.1 and 2.2 of this paper.

2. Commentaries on the G4 Guidelines

This section provides short commentaries on various aspects of the G4 Guidelines that may be useful to enhance its quality and/or to develop responses to better assist organizations to adopt it. First, the upgrading to the G4 Guidelines is most welcome especially concerning additional guidelines on 'materiality' and also on Disclosures on Management Approach (MDA). It is understood that the guidelines are still evolving for Aspect-specific DMA.

There are two further points that we would like to highlight:

1. The congruence between the UN Global Compact and the OECD Guidelines for Corporate Governance. This is a most welcome feature of the G4 Guidelines since it serves as an integrative framework to bring more coherence, and less confusion, about the compatibilities between different reporting frameworks or methodologies; and
2. Companies are offered two options for "in accordance" reporting – i.e. the core and the comprehensive options. Organizations may choose between the two options depending on their respective levels of preparedness and capabilities (human, financial, institutional etc..). Having said this, it is also noted that we feel that the gap between the two options is quite significant,

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[3] David Kiron, Nina Kruschwitz, Martin Reeves and Eugene Goh (2013) The Benefits of Sustainability-Driven Innovation, 54 (2) pg.69.

[4] Please see footnote, and Edward E. Lawler III and Christopher G. Worley (2012) Why Boards Need to Change?, 54 (1), pg.10.

and this may considered as either a weakness or strength of the G4 Guideline depending on sustainable development worldview that is adopted. This issue will be discussed in more details below.

It is also noted with merit that the GRI has provided a period of transition until 31 December 2015 for organizations to migrate to the G4 Guidelines. Reporting organizations should capitalize on this period to enhance their in-house reporting capabilities. This is also a period during which training institutions like the MIoD Should develop innovative CS capacity development programmes to better support reporting institutions.[5]

We now discuss some features of the G4 Guideline that we feel could be strengthened or revisited. We have kept it to the issues that we feel are material, and the commentaries are by this criterion non-exhaustive.

2.1   On "accepted approaches, methodologies, or principles"

The G4 Guideline mentions, where applicable, organizations should base their analyses in reports on "accepted approaches, methodologies, or principles".[6] It will be very useful to provide more guidance in the form of examples of these "accepted approaches, methodologies, or principles". Please see Section 1.1 for a few examples of multi-stakeholder engagement methodologies for sustainable development. A good example of how this is done well in the Implementation Manual is the guidance that is provided for reporting on greenhouse gas emissions (Scope 1, Scope 2 and Scope 3) using the GHG Protocol.

As a cautionary note, methodologies chosen by an organization according to how they read "accepted approaches..etc" may well be chosen in such a way that this would favour what the organization would like to demonstrate, namely that it took all the necessary actions to include and engage its stakeholders as required. The question 'accepted by whom?" needs to be well indicated in the report to ensure that data-collection proceeds in an ethical way and can lead to 'comparability' as further discussed below in section 2.2. Most importantly, the organization would need to demonstrate how its methodologies and approach was designed for prior to its stakeholder-engagement, and not something that is engineered after the data are gathered to then justify the decisions and actions that the organization has taken.

2.2   On "The Principle of Comparability"

The G4 Guideline indicates that "The organization should select, compile and report information consistently. The reported information should be presented in a manner that enables stakeholders to

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[5] This is a unique window of opportunity for MIoD and ELIA to team up to develop advisory services for corporate sustainability, as well as furthering the case already made for the two organizations to provide GRI training and advisory services.

[6] For example, see page 9 of the Implementation Manual concerning processes for stakeholder engagement. Another example is the requirement under G4-15 to list external charters, principles or initiatives that the organization may subscribe to. While this will be easy for organizations that already subscribe to such charters, principles or initiatives, it will be useful to provide some examples to guide those organizations that have not done so yet.

analyze changes in the organization's performance over time, and that could support analysis relative to other organizations." If organizations may determine the threshold for materiality and prioritization of issues by themselves, how can there be assurance of comparability of data-analysis between organizations?

2.3 On the "Precautionary Approach"

Organizations are asked to report whether and how they address the precautionary approach or principle. While this is a very important component of sustainable development, it is something that organizations find difficult to do in a comprehensive way for two reasons, namely:

1. As discussed in Section 1.2, organizations do not generally have a good understanding of sustainability principles, of which the precautionary principle is one (of the sustainable development principles of Agenda 21); and

2. The precautionary principle is arguably one of the most difficult sustainable development principles to put into practice. This principles says that the 'lack of scientific evidence should not be a reason for not taking an action if there is reasonable ground that this action would lead to irreversible detrimental impacts'.

With these in mind, and while reiterating the importance of the precautionary principle, it will be useful to provide more guidance (in the Implementation manual or separately) on its application in different operation and developmental contexts (e.g. public sector, private sector, civil society etc..).

2.4 On 'Ethics and Integrity'

The section on Ethics and Integrity is most welcome. When dealing with issues of sustainability, one may soon come to the conclusion that supporting sustainable development or not is an ethical decision. When dealing with corporate sustainability and corporate governance, we believe that 'ethics and integrity' is applicable at two levels – i.e. operational (short-term or day-to-day activities) and strategic (i.e. long-term outcomes and impacts of activities) levels. We believe that G4-56 to G4-58 deal solely with the operational level. While 'ethics and integrity' is relatively well developed at the operational level, the same cannot be said for the strategic level. Also, 'ethics and integrity' at the operational level does not necessarily ensure long-term sustainability.

Although, one could argue that the strategic level 'ethics and integrity' is spread across the other sections of the G4 Guidelines, we believe that for reasons discussed in Section 1 organizations may not adequately address their long-term strategies in the light of 'ethics and integrity'. To bridge this gap, it would have been useful to explicitly cover ethics and integrity related to the strategic level under the section Ethics and Integrity of the G4 Guidelines. This then would reinforce the other sections of the reporting framework.

2.5 Core versus Comprehensive 'in accordance' Options

The G4 Guidelines contains two options for reporting, whereas the G3.1 Guidelines offered the options of three Application Levels. This difference has several implications (over and above what has been discussed in the other parts of this paper):

- With no prescriptive number of minimum indicators and categories for reporting, and with no precise guidance on the minimum number of Aspects for the two 'in accordance' options of the G4 Guidelines, it may be perceived that the entry level barrier for new subscribers of GRI may be higher;
- In the similar line, the gap between the 'core' and 'comprehensive' options may be perceived to be larger than the gaps between Levels C and B, and Levels B and A, respectively, under the G3.1 Guidelines. The larger gap between the 2 'in accordance' options may be seen as either a weakness or strength. It will be a weakness if most organizations decide to report using the core 'in accordance' options and do not migrate to the comprehensive option. Leaders in the field will most probably move towards the comprehensive option regardless of the existing gap between the two options. However, these leaders may not serve as attractors for other organizations to follow suit if the gap is perceived to be too large. While we believe that all reporting organizations should scale up to the comprehensive option, we propose that all the 'Governance' issues (i.e. G4-G35 to G4-55, and also Ethics and Integrity elements G4-57 and 58, while taking into account our comments in Section 2.3) in the comprehensive option of the G4 Guidelines should become integral components of: (1) a revised Code of Corporate Governance; and (2) the Sustainability Index that is being developed by the Stock Exchange of Mauritius.

Another possibility to deal with these potential shortcomings would be to prescribe a minimum number of material Aspects for each Sub-category for each 'in accordance' option. This will also provide a partial solution to the issue of the political economy of CS reporting which is discussed in Section 3.

Organizations will require technical assistance and advisory services to adopt either one of the two 'in accordance' options. We would like to mention here that the MIOD, in collaboration with ELIA, has made a case for the delivery of GRI training to organizations in Mauritius and the Indian Ocean region. ELIA's on-the-ground experience shows that a remote Centre, such as the newly established GRI Regional Centre in South Africa, is not sufficient for effectively and efficiently providing such services when required in the local context.

3. On the Political Economy of Sustainability Reporting

We would like to conclude our analysis by making a comment on the *political economy* of CS reporting. Political economy allows CS reporting to be situated within the broader political context in which organizations operate. While this issue is obviously not a matter to be provided guidance on in the G4 Guidelines, it nevertheless is a critical factor that is at play when organizations decide on report content related to which Aspects are material or not.

In order to achieve transparency in reporting, organizations are expected to highlight both what they do well and not well – i.e. both the negative and positive impacts on society, environment and economy, and which may or may not influence the expectations and behaviors of their stakeholders. Our experience shows that the political conditions in which companies operate have a significant bearing on what is reported, especially when impacts are negative. While negative impacts are undesirable, especially when they are deemed to be material, the response of the prevailing political economy may hinder the impacts to be reported and measures taken to remedy the impacts in a non-confrontational way. For fear of reprisal, retribution and penalty, organizations may decide not to be transparent. Such a political economy may therefore hinder the process of determining Report Content, including Aspects that are material. This situation is even more likely in the absence of comprehensive stakeholder inclusiveness and engagement as discussed in Section 1.1. We also believe that this potential scenario can be compounded by the facts that all indicators under an Aspect should be the subject of reporting once this Aspect has been identified to be material.

An observation may be made that the former approach of Application Levels was a partial solution to a reprimanding or penalizing political economy. Al least, organizations were able to migrate to higher levels of reporting, including the comprehensiveness in reporting, without unnecessarily leaving out performance indicators that could be included in a report – i.e. when the selection of an Aspect was decoupled from the number of PIs under than Aspect.

In order to deal with this issue, it is imperative to also support the setting up of adequate national institutional mechanisms and processes that would enhance dialogue between the private sector and other state and non-state actors. Our research has shown that institutional arrangements and processes are lacking at the national level to support sustainable development.

Annex 1. Multi-stakeholder process for sustainable development

It is widely acknowledged now that the knowledge required to articulate what would constitute sustainable development in any given context (i.e. country or sub-regions therein) is often dispersed within the system boundary (i.e. country and its sub-regions), which is why a multi-stakeholder approach is necessary for successful outcomes. In other words, the complex system of socio-economic conditions existing within the natural ecosystems characterising any given territory can only be seen collectively for the adequate response to the increasing demands for policy-relevant interventions. Multi-Stakeholder Processes (MSP) can also help ensure better coordination between different institutions and agencies, in addition to ensuring that knowledge is combined and properly utilized by sharing common mental models. MSP is also an appropriate means to achieve consensus and ownership of decision-making outcomes.

The five sequential steps of a generic MSP are illustrated in **Figure 1.1** (Hemmati, 2002). Each step involves specific actions to ensure maximum ownership of the process by the beneficiary stakeholders and ensuring them that climate change related actions are discussed through dialogue and consequently integrated in the national and local agenda.
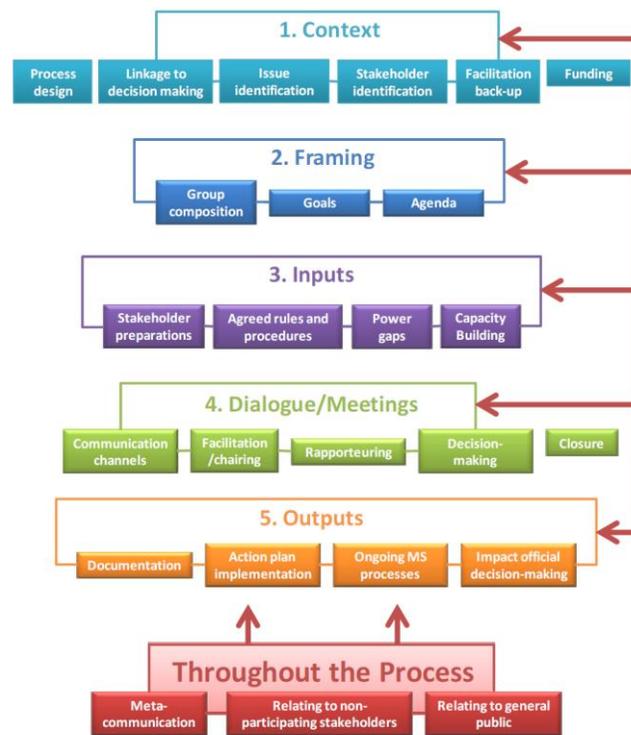

Figure 1.1. The five sequential steps of the Multi-Stakeholder Process used in sustainable development (*Source*: Hemmati, M. (2002). *Multi-Stakeholder Processes for Governance and Sustainability: Beyond Deadlock and Conflict.* London: Earthscan).

Briefly, the steps of the MSP are defined in generic terms while noting that the central issues are related to climate change:

- Context – Setting the context is probably the most critical step in the process, and the 'one-size-fits-all' cannot be applied. After the key stakeholders have been identified based on principles of inclusiveness, diversity and size, they should be involved in every aspect of the design process to generate legitimacy, credibility and trust. This does not mean that conflicts will not arise, but that any conflicts may be better dealt with later on. In designing the process, it should be made very clear how the output of the dialogues will permeate the policy decision-making process. Productive dialogue can only take place when all participants share a common understanding of the agenda of the MSP. This requires a clear definition of what issues the MSP will address. Successful MSPs require facilitation and organizational back up, also implying the need for adequate financial resources.
- Framing – MSPs need precisely defined issues before them. The questions to be addressed and the goals of the process need to be very clear to all the participants and agreed by them. Possible changes over the course of an on-going process also need to be agreed by the group, allowing for consultations within constituencies if necessary.
- Inputs – In order to facilitate dialogues, several inputs must be in place or be made available to participants. First, all participants must have equitable access to all information, and they should be given sufficient preparation time. The ground rules for the purpose of dialogue must be agreed within the group, while noting that no one has all the answers but that the output required will be the collective wisdom and knowledge of the participants. Fundamental differences exist between stakeholders in such things as knowledge and information, communication skills, size, nature and the amount of resources that define significant power gaps and unfair distribution of bargaining and negotiating power. Care must therefore be taken to identify and address power gaps; the way dialogues are facilitated can be critical to the inputs and outcomes they produce. Bilateral meetings can be used where necessary to prepare participants for plenary sessions.
- Dialogue – MSPs are about creating a space where dialogue can take place. An atmosphere that cultivates equity, respect, dignity, fairness and hope will create a space where people can interact in such a way that their differences and their commonalities become clear so that they can begin to explore possible ways forward.
- Outputs – MSPs should be transparent all the way. So, they should not only publish and communicate their deliberations and outcomes but also keep record of their design. A critical aspect is to be able to demonstrate to stakeholders how the outcomes of their dialogues impacted policy decision-making or the sustainable development orientations of the organisation.