Slides Notes for the Presentation

Making the Connection:
Using the GRI G4 Guidelines to Communicate Progress on the UN Global Compact Principles

January 2014
The following slide deck is meant to be used in conjunction with “Making the Connection: Using the GRI G4 Guidelines to Communicate Progress on the UN Global Compact Principles” (2013). Presenters are encouraged to distribute copies of the publication so participants can make reference to it throughout the presentation. Cross-references with page numbers are in the presenter notes on each slide.
This document describes how to use the G4 Guidelines to prepare a Communication on Progress (COP) and fulfill the elements of the GC Active and GC Advanced levels of the UN Global Compact Differentiation Programme.

The UN Global Compact (Global Compact) and the Global Reporting Initiative (GRI) are complementary initiatives that can help companies of all sizes, and in all locations and sectors, work towards sustainable development and transparently report progress towards this goal.

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This presentation describes how to use the G4 Guidelines to prepare a Communication on Progress (COP) and fulfill the elements of the GC Active and GC Advanced levels of the UN Global Compact Differentiation Programme.

Cross-reference: p 4 of “Making the Connection” (2013) publication

The UN Global Compact (Global Compact) and the Global Reporting Initiative (GRI) are complementary initiatives that can help companies of all sizes, and in all locations and sectors, work towards sustainable development and transparently report progress towards this goal.

The Global Compact and GRI renewed their Memorandum of Understanding in May 2013. The renewed agreement affirms a long-standing collaboration and alliance between the two organizations, and also marks the beginning of a number of innovative collaborations, in particular on the UN Post-2015 Development Agenda.

The Global Compact provides a principle-based framework to guide companies in the process of integrating human rights, labour standards, environmental stewardship, and anti-corruption in strategy and operations. Participants are required to communicate annually on their progress in implementing the Global Compact principles.

The GRI G4 Sustainability Reporting Guidelines released in May 2013 – part of GRI’s broader Sustainability Reporting Framework – provide organizations with a set of Reporting Principles and Standard Disclosures on strategy, profile, governance, stakeholder engagement, ethics and integrity, and management approach and Indicators to report sustainability impacts and performance. For the G4 version of the Guidelines, GRI’s Sustainability Reporting Framework consists of the Reporting Principles and Standard Disclosures, the Implementation Manual and Sector Disclosures. It has clearly cross-
referenced Global Compact principles and COP requirements in the Standard Disclosures Overview, Quick Links and Implementation Manual. It also highlights Global Compact resources and other relevant frameworks such as the UN Guiding Principles on Business and Human Rights.

Using the two frameworks together – Global Compact principles to guide sustainability strategy and actions, and the GRI G4 Guidelines to communicate progress to stakeholders – companies can achieve key, complementary goals:

- Embed sustainability strategy within universal principles rooted in international standards
- Demonstrate commitment and actions in terms of policies, processes, and disclosure
- Provide stakeholders with focused, comprehensive and credible information about sustainability impacts and performance
- Standardize sustainability reporting
This presentation is designed to support Global Compact participants in using the G4 Guidelines as a recommended reporting language to communicate their progress.

Cross-reference: p 5 of “Making the Connection” (2013) publication

Companies participating in the Global Compact commit to integrating universal principles in the areas of human rights, labour, the environment and anti-corruption in their operations and strategies. This includes a continued commitment from the Chief Executive and the highest governing body (e.g. the Board of Directors or equivalent) and an annual communication to stakeholders on the progress made: the COP.

The Global Compact Differentiation Programme categorizes COPs based on the level of disclosure on progress made in integrating the Global Compact principles and contributing to broader UN goals.

- As a minimum (GC Active Level), the Global Compact requires companies to include in their COP a statement by the Chief Executive demonstrating their continued commitment, a description of practical actions on each of the four issue areas encompassed in the ten principles, and a measurement of outcomes using qualitative and quantitative indicators.

- At the GC Advanced level, companies are required to expand upon the minimum content requirements and to disclose actions and results in the following dimensions:
  - Implementing the Ten Principles into Strategies & Operations in the areas of Human Rights, Labour, Environment, Anti-Corruption
  - Taking Action in Support of Broader UN Goals and Issues
  - Corporate Sustainability Governance & Leadership
The G4 Sustainability Reporting Guidelines consist of Reporting Principles and Standard Disclosures. These elements are considered to be of equal weight and importance.

The GRI Reporting Principles can help Global Compact participants to determine the Aspects and Indicators to report on in their COP; and help to ensure the quality and appropriate presentation of reported information.

The GRI G4 Standard Disclosures can help Global Compact participants disclose the COP requirements (at both GC Active and GC Advanced levels) through three types of disclosures:

- **General Standard Disclosures:** Set the overall context for understanding organizational impacts and performance, such as an organization’s strategy, profile, governance, ethics and integrity.

- **Specific Standard Disclosures: G4 Aspects**
  - **Disclosures on Management Approach:** Explains how the economic, environmental and social impacts related to material Aspects are managed. It provides narrative information on how an organization identifies, analyzes, and responds to its actual and potential material economic, environmental and social impacts and provides context for the performance reported by Indicators.
  - **Indicators:** Elicit qualitative or quantitative information about results or outcomes associated with the organization that is comparable and demonstrates change over time.
Two options are available for organizations willing to prepare their sustainability reports ‘in accordance’ with the G4 Guidelines: Core and Comprehensive. Each option can be applied by all organizations, regardless of their size, sector or location.

The Core option contains the essential elements of a sustainability report and provides the background against which an organization communicates the impacts of its economic, environmental and social and governance performance.

The Comprehensive option builds on the Core option by requiring additional Standard Disclosures of the organization’s strategy and analysis, governance, and ethics and integrity. In addition, the organization is required to communicate its performance more extensively by reporting all Indicators related to identified material Aspects.

Rather than substituting for the GRI G4 Guidelines, this presentation is meant to highlight key sections of the G4 Guidelines that can be used to communicate progress on the Global Compact commitment, especially at the GC Advanced Level. A report prepared ‘in accordance’ with the G4 Guidelines, either as a Core or Comprehensive report, that includes all the relevant Aspects that relate to the ten principles of the Global Compact, is a valuable option to communicate progress on key sustainability issues.
Upon signing the Global Compact, an organization’s chief executive commits to managing and reporting on four issue areas: human rights, labour, environment and anti-corruption. The section “Step 3: Disclose Results and Outcomes” provides an example of a set of G4 General Standard Disclosures and Indicators that can be used to describe actions and outcomes for each issue area.

On the other hand, the focus of reporting ‘in accordance’ with G4 is on the process of identifying material Aspects, including but not limited to the issues encompassed in the Global Compact’s ten principles. Material Aspects are those that reflect the organization’s significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders. This applies to both ‘in accordance’ options – Core and Comprehensive. Both options require General and Specific Standard Disclosures. The concept of materiality relates to the Specific Standard Disclosures, the GRI Aspects.

That is to say, both ‘in accordance’ options could qualify as a GC Advanced COP, but not all comprehensive GRI reports will automatically qualify as such.

In this presentation, see also the section “GC Advanced & ‘In Accordance’ at the Same Time” which summarizes a recommended approach, and the slide “G4 ‘In Accordance’ Options: Core & Comprehensive.”
How to Create a COP Using GRI G4 Standard Disclosures
Cross-reference: p 7-8 of “Making the Connection” (2013) publication

An important step in preparing a COP is to define the content to ensure it provides a balanced and reasonable presentation of the organization’s significant economic, environmental and social impacts, and enables stakeholders to assess the organization’s performance. The GRI Principles for defining report content describe the process to be applied to identify what the report should cover by considering the organization’s activities, impacts, and the substantive expectations and interests of its stakeholders.

The figure above illustrates the GRI’s process of defining material Aspects and boundaries. A detailed explanation can be found in the G4 Implementation Manual under disclosure G4-18.

The Principles of Materiality, Stakeholder Inclusiveness, Sustainability Context and Completeness outlined in the GRI Guidelines are pertinent to preparing a COP. Further guidance for using these Principles when applying the G4 Guidelines can be found in the G4 Implementation Manual.

**Materiality:**

**GRI definition:** The report should cover Aspects that reflect the organization’s significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders.

When using the concept of materiality, Global Compact signatories should recognize that the ten principles within the four issue areas are material to their organization, reflecting significant economic, social and environmental impacts. By committing to the Global Compact, they recognize that the process and results of integrating the principles will substantially influence the assessments and decisions of stakeholders. While all principles are material, the different contexts of companies will vary the level of materiality.
In determining the content of their report, Global Compact participants should also consider other sustainability topics not directly in the scope of the ten principles (including GRI Aspects and/or broader UN goals) which may reflect the organization’s economic, environmental and social impacts or influence the decisions of stakeholders, and, therefore, potentially merit inclusion in the report. Materiality is the threshold at which Aspects become sufficiently important that they should be reported (e.g., Aspects of product responsibility).

**Stakeholder Inclusiveness:**

**GRI definition:** The organization should identify its stakeholders, and explain how it has responded to their reasonable expectations and interests.

In the process of defining the COP content and how to present it, Global Compact signatories should engage with their stakeholders and consider their interests and expectations. Aspects considered by stakeholders to be most important should be prioritized and receive sufficient attention in the report.

**Sustainability Context:**

**GRI definition:** The report should present the organization’s performance in the wider context of sustainability.

Global Compact signatories are required to report their progress on human rights, labour, environment and anti-corruption. However, this and other material performance information should be placed in the broader sustainability context – i.e. the relationship between business success and the sustainability issues in the operational environment.

**Completeness:**

**GRI definition:** The report should include coverage of material Aspects and their Boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organization’s performance in the reporting period.

Aspect Boundaries refer to a description of where the impacts occur for each material Aspect. In setting the Aspect Boundaries, an organization should consider impacts within and outside of the organization. Aspect Boundaries vary based on the Aspects reported.

Global Compact signatories should describe where the impacts occur regarding human rights, labour, environment and anti-corruption and report the progress made by the organization.
Cross-reference: p 9-14 of “Making the Connection” (2013) publication

Once the content and boundaries have been determined, the G4 Guidelines provide Standard Disclosures that can help to present comprehensive and material information on the strategy, process and results of Global Compact integration, starting with general COP requirements (GC Active level) and moving into the more comprehensive content requirements of the GC Advanced level.

The following text offers an introduction to the respective GRI disclosures. Further information on the required data points and Guidance for the disclosures can be found in the G4 documents “Reporting Principles and Standard Disclosures” and “Implementation Manual”.

1. COP Minimum Requirement: High-level Commitment and Strategy

The Global Compact is a leadership initiative, involving a commitment by the Chief Executive and the Board. Continued support at the highest level of the company is expected, and must be reflected every year in the COP through a statement by the Chief Executive expressing continued support for the Global Compact and renewing the company’s ongoing commitment to the initiative and its principles.

At the GC Advanced level (Criterion 19), companies must describe in their COP key aspects of the CEO commitment and leadership, through one or more of the following suggested best practices:

- CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UN Global Compact
- CEO promotes initiatives to enhance sustainability of the company’s sector and leads development of industry standards
• CEO leads executive management team in development of corporate sustainability strategy, defining goals and overseeing implementation

• Make sustainability criteria and UN Global Compact principles part of goals and incentive schemes for CEO and executive management team

G4 Profile Disclosures G4-1 and G4-2: Strategy and Analysis

In the G4 Guidelines, the Strategy and Analysis section is intended to provide a high-level, strategic view of the organization’s relationship to sustainability in order to provide context for subsequent and more detailed reporting against other sections of the GRI Guidelines. While it may draw on information provided in other parts of the report, this section is intended to produce insight on strategic topics rather than simply summarize the contents of the report. The strategy and analysis should consist of the statement outlined in Disclosure G4-1 (Core option) and additionally a concise narrative outlined in G4-2 (Comprehensive option).

--> G4 Standard Disclosure G4-1 can be used to include a statement by the CEO on his or her continued support for the Global Compact and its principles, and its relevance for the organization and its strategy.

G4-1 Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization’s strategy for addressing sustainability.

--> G4 Standard Disclosure G4-2 can be used to describe the organization’s key impacts, risk and opportunities in the issue areas covered by the Global Compact principles, as well as the impact of Global Compact issues on the long-term prospects and financial performance of the organization.

G4-2 Provide a description of key impacts, risks, and opportunities.

The organization should provide two concise narrative sections on key impacts, risks, and opportunities. Section One should focus on the organization’s key impacts on sustainability and effects on stakeholders, including rights as defined by national laws and relevant internationally recognized standards. This should take into account the range of reasonable expectations and interests of the organization’s stakeholders.

Section Two should focus on the impact of sustainability trends, risks, and opportunities on the long-term prospects and financial performance of the organization. This should concentrate specifically on information relevant to financial stakeholders or that could become so in the future.

2. Context of Operation and Verification

Context of Operation is not part of the minimum COP requirements (GC Active level). However, the wider context of the ten principles – how they relate to the company’s own sustainability strategy and overall business strategy, and the relationship with sustainability in general – provides the setting in which to discuss sustainability performance.

At the GC Advanced level, companies are expected to incorporate high standards of transparency and disclosure by providing information in their COP on their profile and operational context, including:

• Legal structure, including any group structure and ownership
• Countries where the organization operates, with either major operations or operations that are specifically relevant to sustainability

• Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)

• Primary brands, products, and/or services

• Direct and indirect economic value generated for various stakeholders (employees, owners, government, lenders, etc.)

In addition, external assessment of the credibility of information in a COP is a very important step in building trust among a company’s stakeholders and is required for GC Advanced COPs as of 1 January 2014. Best practices include:

• Information is reviewed by multiple stakeholders (e.g., representatives of groups prioritized in stakeholder analysis)

• Information is reviewed by a panel of peers (e.g., members of the same industry, competitors, benchmarked leaders, others organized via Global Compact Local Network)

• Information is assured by independent assurors (e.g., accounting or consulting firm) using their own proprietary methodology

• Information is assured by independent assurors (e.g., accounting or consulting firm) against recognized assurance standard (e.g., ISAE3000, AA1000AS, other national or industry-specific standard)

G4 General Standard Disclosures G4-3 - G4-13: Organizational Profile

--> G4 Disclosures G4-3 - G4-13 can be used to describe the organization’s profile and operational context.

G4-3 Report the name of the organization.

G4-4 Report the primary brands, products, and services.

G4-5 Report the location of the organization’s headquarters.

G4-6 Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.

G4-7 Report the nature of ownership and legal form.

G4-8 Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).

G4-9 Report the scale of the organization

G4-10 a. Report the total number of employees by employment contract and gender.

    b. Report the total number of permanent employees by employment type and gender.
c. Report the total workforce by employees and supervised workers and by gender.

d. Report the total workforce by region and gender.

e. Report whether a substantial portion of the organization’s work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.

f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).

G4-11 Report the percentage of total employees covered by collective bargaining agreements.

G4-12 Describe the organization’s supply chain.

G4-13 Report any significant changes during the reporting period regarding the organization’s size, structure, ownership, or its supply chain.

--> G4 Disclosure G4-28 – G4-32 can be used to describe the COP report profile.

G4-28 Reporting period (such as fiscal or calendar year) for information provided.

G4-29 Date of most recent previous report (if any).

G4-30 Reporting cycle (such as annual, biennial).

G4-31 Provide the contact point for questions regarding the report or its contents.

G4-32 a. Report the ‘in accordance’ option the organization has chosen.

   b. Report the GRI Content Index for the chosen option (see tables in G4).

   c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be ‘in accordance’ with the Guidelines.

--> If the reporter chooses to obtain independent assurance of the COP, G4 Disclosure G4-33 can be used to describe it.

G4 General Standard Disclosure G4-33: Assurance

a. Report the organization’s policy and current practice with regard to seeking external assurance for the report.

b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided.

c. Report the relationship between the organization and the assurance providers.

d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization’s sustainability report.
3. Governance

Initial CEO commitment to the Global Compact must be supported by the highest-level governance body of the organization (e.g., the Board or equivalent). In addition, Global Compact signatories commit to incorporating the Global Compact and its principles in the decision-making processes of the highest-level governance body.

At the GC Advanced level (Criterion 20), companies must describe in their COP aspects of Board adoption and oversight including:

- Board of Directors (or equivalent) assumes responsibility and oversight for long-term corporate sustainability strategy and performance.
- Board establishes, where permissible, a committee or assigns an individual board member with responsibility for corporate sustainability.
- Board (or committee), where permissible, approves formal reporting on corporate sustainability (COP).

G4 General Standard Disclosures G4-34 – G4-55: Governance

--> G4 Governance Disclosures G4-34 – G4-55 can be used to describe decision-making processes and systems of governance for implementation of the Global Compact, the company’s corporate governance structure (Board of Directors or equivalent), and its role in oversight of Global Compact implementation, as well as the evaluation and reward systems related to Global Compact strategy and implementation.

These Standard Disclosures provide an overview of:

- The governance structure and its composition
- The role of the highest governance body in setting the organization’s purpose, values, and strategy
- The competencies and performance evaluation of the highest governance body
- The role of the highest governance body in risk management
- The role of the highest governance body in sustainability reporting
- The role of the highest governance body in evaluating economic, environmental and social performance
- Remuneration and incentives

G4-34 Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.

G4-35 Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.
G4-36 Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.

G4-37 Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.

G4-38 Report the composition of the highest governance body and its committees.

G4-39 Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization’s management and the reasons for this arrangement).

G4-40 Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.

G4-41 Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.

G4-42 Report the highest governance body’s and senior executives’ roles in the development, approval, and updating of the organization’s purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.

G4-43 Report the measures taken to develop and enhance the highest governance body’s collective knowledge of economic, environmental and social topics.

G4-44 a. Report the processes for evaluation of the highest governance body’s performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.

b. Report actions taken in response to evaluation of the highest governance body’s performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.

G4-45 a. Report the highest governance body’s role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body’s role in the implementation of due diligence processes.

b. Report whether stakeholder consultation is used to support the highest governance body’s identification and management of economic, environmental and social impacts, risks, and opportunities.

G4-46 Report the highest governance body’s role in reviewing the effectiveness of the organization’s risk management processes for economic, environmental and social topics.

G4-47 Report the frequency of the highest governance body’s review of economic, environmental and social impacts, risks, and opportunities.

G4-48 Report the highest committee or position that formally reviews and approves the organization’s sustainability report and ensures that all material Aspects are covered.

G4-49 Report the process for communicating critical concerns to the highest governance body.
G4-50 Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.

G4-51 a. Report the remuneration policies for the highest governance body and senior executives.

b. Report how performance criteria in the remuneration policy relate to the highest governance body’s and senior executives’ economic, environmental and social objectives.

G4-52 Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.

G4-53 Report how stakeholders’ views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.

G4-54 Report the ratio of the annual total compensation for the organization’s highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.

G4-55 Report the ratio of percentage increase in annual total compensation for the organization’s highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.

4. Stakeholder Engagement

Stakeholder engagement is at the core of the commitment to the Global Compact. As a private-public initiative, the Global Compact offers companies access to key actors in the corporate sustainability landscape, including governments, civil society, labour, academia and the United Nations system. Companies in the Global Compact recognize the importance of stakeholder consultation in the process of integrating the Global Compact principles into core operations and strategy.

At the GC Advanced level (Criterion 21), companies must describe in their COP their engagement with all important stakeholders, including:

- Publicly recognize responsibility for the company’s impacts on internal and external stakeholders.
- Define sustainability strategies, goals and policies in consultation with key stakeholders.
- Consult stakeholders in dealing with implementation dilemmas and challenges and invite them to take active part in reviewing performance.
- Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect “whistle-blowers”

G4 General Standard Disclosures G4-24 – G4-27: Stakeholder Engagement

GRI G4 General Standard Disclosures G4-24 – G4-27 can be used to describe the process and results of engaging with stakeholders, and their impacts, on each of the Global Compact’s ten principles in the areas of human rights, labour, the environment and anti-corruption. In addition, organizations can explain how they have shared the COP with their stakeholders.
G4-24 Provide a list of stakeholder groups engaged by the organization.

G4-25 Report the basis for identification and selection of stakeholders with whom to engage.

G4-26 Report the organization’s approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.

G4-27 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.
Global Compact signatories must describe in their COP the practical actions (i.e., disclosure of any relevant policies, procedures, activities) that the company has taken to implement the Global Compact principles in the areas of human rights, labour, environment and anti-corruption.

This element of the COP is designed to inform readers how companies have modified existing management systems or put in place new ones to implement the Global Compact principles.

Such management processes can be used by companies and their stakeholders to benchmark and compare companies’ performance. Management processes allow forward-looking analysis as they reflect systematic processes to manage risk and opportunities associated with sustainability. They also allow for comparative analysis, as processes in place in one company can be used to compare the actions and anticipate performance of other companies in similar circumstances.

At the GC Advanced level, companies must include in their COP in-depth coverage of management approaches to implementing the principles in each of the four issue areas, including:

- Commitments, strategies or policies (Criteria 3, 6, 9, 12)
- Management systems to integrate the principles (Criteria 4, 7, 10, 13)
- Monitoring and evaluation mechanisms (Criteria 5, 8, 11, 14)

Such management approaches are consistent with best practices advocated by the Global Compact. For example, in the area of human rights the GC Advanced criteria feature best practices aligned with the “Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework”.

Cross-reference: p 15-16 of “Making the Connection” (2013) publication
At the GC Advanced level (Criterion 15-18) companies must also disclose in their COP actions taken in support of broader UN goals and issues, including:

- Core business contributions to UN goals and issues
- Strategic social investments and philanthropy
- Advocacy and public policy engagement
- Partnerships and collective action

**G4 Disclosures on Management Approach (DMA)**

The GRI Guidelines require organizations to disclose management approaches for material economic, environmental and social Aspects.

The Disclosure on Management Approach is intended to give the organization an opportunity to explain how the economic, environmental and social impacts related to material Aspects are managed. Material Aspects are those that reflect the organization’s significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders. DMA provides narrative information on how an organization identifies, analyzes and responds to its actual and potential material economic, environmental and social impacts. DMA also provides context for the performance reported by Indicators.

Global Compact signatories should use the Global Compact ten principles and the GC Advanced criteria and best practices as their primary reference points when reporting on their management approach.

**Generic Disclosures on Management Approach should include several items, based on each GRI Aspect:**

a. Report why the Aspect is material. Report the impacts that make this Aspect material.

b. Report how the organization manages the material Aspect or its impacts.

c. Report the evaluation of the management approach, including:
   - The mechanisms for evaluating the effectiveness of the management approach,
   - The results of the evaluation of the management approach and
   - Any related adjustments to the management approach.

Further Guidance on which details could be reported under management approach can be found in the G4 Implementation Manual.

When reporting on the management approach for GRI’s Economic Category, Global Compact signatories should consider their contribution to society and UN goals and issues.
Cross-reference: p 15-16 of “Making the Connection” (2013) publication

Global Compact signatories must describe in their COP the practical actions (i.e., disclosure of any relevant policies, procedures, activities) that the company has taken to implement the Global Compact principles in the areas of human rights, labour, environment and anti-corruption.

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Global Compact signatories should use the Global Compact ten principles and the GC Advanced criteria and best practices as their primary reference points when reporting on their management approach.

**Generic Disclosures on Management Approach should include several items, based on each GRI Aspect:**

a. Report why the Aspect is material. Report the impacts that make this Aspect material.

b. Report how the organization manages the material Aspect or its impacts.

c. Report the evaluation of the management approach, including:
   - The mechanisms for evaluating the effectiveness of the management approach,
   - The results of the evaluation of the management approach and
   - Any related adjustments to the management approach.

Further Guidance on which details could be reported under management approach can be found in the G4 Implementation Manual.

When reporting on the management approach for GRI’s Economic Category, Global Compact signatories should consider their contribution to society and UN goals and issues.
Please see the “Example: GC Principle 4 – GRI Disclosures” table in the Annex of this presentation for a summary of which indicators can be used to report on that GC Principle.

Cross-reference: p 17 of “Making the Connection” (2013) publication

The Global Compact requires companies to disclose in their COP a measurement of outcomes (i.e., degree to which targets/performance indicators were met, or other qualitative or quantitative measurements of results).

At the GC Advanced level, companies are expected to include in their COP a description of key outcomes of integration of the principles in each of the four issue areas as part of their monitoring and evaluation mechanisms (Criteria 5, 8, 11, 14).

G4 General Standard Disclosures

G4 General Standard Disclosures are applicable to all organizations preparing sustainability reports.

→ In certain cases, general standard disclosures can provide valuable additional information on outcomes of an organization’s sustainability efforts.

G4 Indicators

GRI G4 Indicators give qualitative and/or quantitative information about results or outcomes associated with the organization that is comparable and demonstrates change over time. Organizations should only report on the material GRI Aspects and their related Indicators.

→ G4 Indicators can be used to report on both the actions taken to implement the GC principles as well as outcomes of such actions. Depending on its operational context and other factors, the organization should make a list of material Aspects. In principle, all G4 Aspects and their respective Indicators may
potentially be relevant. However, remember that a high-quality report will likely contain material issues/indicators in addition to those included in the G4 and Global Compact. If an organization wishes to fulfill the COP requirements and at the same time to report in accordance with the G4 Guidelines, the following applies regarding Indicators:

• To fulfill the COP minimum requirements, reporters should consider as a minimum G4 Indicators that relate to the four Global Compact issue areas.

• To report in addition ‘in accordance’ with the G4 Guidelines, reporters should additionally report Indicators that belong to any Aspects that the organization may identify as material beyond the ones relating to the four Global Compact issue areas. For the Core option, at least one G4 Indicator per material Aspect needs to be reported, for the Comprehensive option all G4 Indicators under a material Aspect need to be reported.
This table shows the correspondence between G4 elements and GC Advanced criteria.

Cross-reference: p 24 of “Making the Connection” (2013) publication

For a table showing GC Advanced criteria on the left and G4 disclosures on the right, see p 25-27.
Continued from previous slide. This table shows the correspondence between G4 elements and GC Advanced criteria.

Cross-reference: p 24 of “Making the Connection” (2013) publication

For a table showing GC Advanced criteria on the left and G4 disclosures on the right, see p 25-27.
Continued from previous slide. This table shows the correspondence between G4 elements and GC Advanced criteria.

Cross-reference: p 24 of “Making the Connection” (2013) publication

For a table showing GC Advanced criteria on the left and G4 disclosures on the right, see p 25-27.
This slide summarizes a recommended approach to fulfilling the GC Advanced requirements and reporting 'in accordance' - Core with G4 at the same time.

**Cross-reference:** p 28 of “Making the Connection” (2013) publication

If an organization wishes to fulfill the COP requirements at the GC Advanced level and at the same time to report 'in accordance' – Core with the G4 Guidelines, the following approach is recommended:

1. Report the G4 General Standard Disclosures for the 'in accordance' – Core option
2. Report on the G4 Disclosures on Management Approach and at least one Indicator for the material Aspects relating to the four GC Issue areas
3. Report the G4 Disclosures on Management Approach and at least one Indicator for any other Aspect that the organization identifies as material

Notes for both Core and Comprehensive options: Consider the GRI G4 Reporting Principles throughout the reporting process. Use the Global Compact issue areas and the GC Advanced criteria and best practices as primary reference points when reporting on management approach, as they must be described in a GC Advanced COP. When reporting on the management approach for GRI’s Economic Category, consider the organization’s contribution to society and UN Goals and Issues.

In this presentation, see also slide “G4 ‘In Accordance' Options: Core & Comprehensive.”
This slide summarizes a recommended approach to fulfilling the GC Advanced requirements and reporting ‘in accordance’ – Comprehensive with G4 at the same time.

Cross-reference: p 28 of “Making the Connection” (2013) publication

If an organization wishes to fulfill the COP requirements at the GC Advanced level and at the same time to report ‘in accordance’ – Comprehensive with the G4 Guidelines, the following approach is recommended:

1. Report the G4 General Standard Disclosures for the ‘in accordance’ – Comprehensive option
2. Report on the G4 Disclosures on Management Approach and all Indicators for the material Aspects relating to the four GC Issue areas
3. Report the G4 Disclosures on Management Approach and all Indicators for any other Aspect that the organization identifies as material

Notes for both Core and Comprehensive options: Consider the GRI G4 Reporting Principles throughout the reporting process. Use the Global Compact issue areas and the GC Advanced criteria and best practices as primary reference points when reporting on management approach, as they must be described in a GC Advanced COP. When reporting on the management approach for GRI’s Economic Category, consider the organization’s contribution to society and UN Goals and Issues.

In this presentation, see also slide “G4 ‘In Accordance’ Options: Core & Comprehensive.”
Summary

The publication “Making the Connection: Using the GRI G4 Guidelines to Communicate Progress on the UN Global Compact Principles” (2013) offers:

- Explanation of how COP and G4 reporting are linked
- Examples of which G4 General and Specific Standard Disclosures can be used to fulfill each COP requirement
- Guidance on how to fulfill the GC Advanced requirements and report ‘in accordance’ with G4 at the same time

Download it here

Annex
Cross-reference: p 18-23 of “Making the Connection” (2013) publication

The “GC Principles – GRI Disclosures” tables, for example, propose a set of G4 General Standard Disclosures and Indicators that can be used to describe the outcomes for each Global Compact Principle. These tables include the titles of the respective GRI disclosures. Further information on the required data points and Guidance for the disclosures can be found in the G4 documents “Reporting Principles and Standard Disclosures” and “Implementation Manual”.
The GRI G4 Guidelines offer two options to an organization in order to prepare its sustainability report ‘in accordance’ with the Guidelines: the Core option and the Comprehensive option. Each option can be applied by all organizations, regardless of their size, sector or location. The focus of both options is on the process of identifying material Aspects. Material Aspects are those that reflect the organization’s significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders.

The Core option contains the essential elements of a sustainability report. The Core option provides the background against which an organization communicates the impacts of its economic, environmental and social and governance performance.

The Comprehensive option builds on the Core option by requiring additional Standard Disclosures of the organization’s strategy and analysis, governance, and ethics and integrity. In addition, the organization is required to communicate its performance more extensively by reporting all Indicators related to identified material Aspects.

What does ‘in accordance’ mean?

By reporting ‘in accordance’ – Core or Comprehensive, an organization communicates the extent to which it has followed the intention of the G4 Guidelines, including fulfilling certain minimum expectations regarding the transparency (not quality) with which it discloses its sustainability impacts and performance. An organization, whether it is a new or experienced reporter, has to choose the ‘in accordance’ option that best meets its reporting needs and, ultimately, enables it to meet its stakeholders’ information needs.
GC Advanced Criteria

Implementing the Ten Principles into Strategies & Operations
- Criterion 1: The CDP describes mainstreaming into corporate functions and business units
- Criterion 2: The CDP describes value chain implementation

Robust Human Rights Management Policies & Procedures
- Criterion 3: The CDP describes robust commitments, strategies or policies in the area of human rights
- Criterion 4: The CDP describes effective management systems to integrate the human rights principles
- Criterion 5: The CDP describes effective monitoring and evaluation mechanisms of human rights integration

Robust Labour Management Policies & Procedures
- Criterion 6: The CDP describes robust commitments, strategies or policies in the area of labour
- Criterion 7: The CDP describes effective management systems to integrate the labour principles
- Criterion 8: The CDP describes effective monitoring and evaluation mechanisms of labour principles integration

Robust Environmental Management Policies & Procedures
- Criterion 9: The CDP describes robust commitments, strategies or policies in the area of environmental stewardship
- Criterion 10: The CDP describes effective management systems to integrate the environmental principles
- Criterion 11: The CDP describes effective monitoring and evaluation mechanisms for environmental stewardship

Robust Anti-Corruption Management Policies & Procedures
- Criterion 12: The CDP describes robust commitments, strategies or policies in the area of anti-corruption
- Criterion 13: The CDP describes effective management systems to integrate the anti-corruption principle
- Criterion 14: The CDP describes effective monitoring and evaluation mechanisms for the integration of anti-corruption

Taking Action in Support of Broader SR Goals and Issues
- Criterion 15: The CDP describes core business contributions to SR goals and issues
- Criterion 16: The CDP describes strategic social investments and philanthropy
- Criterion 17: The CDP describes advocacy and public policy engagement
- Criterion 18: The CDP describes partnerships and collective action
- Criterion 19: The CDP describes CEO commitment and leadership
- Criterion 20: The CDP describes Board adoption and oversight
- Criterion 21: The CDP describes stakeholder engagement

Cross-reference: p 31 of “Making the Connection” (2013) publication
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