A TRADE UNION GUIDE TO THE GRI SUSTAINABILITY REPORTING GUIDELINES

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We would like to acknowledge gratefully the assistance of the Friedrich Ebert Stiftung (FES) in the production of this report. It was prepared by the International Trade Union Confederation (ITUC) following consultations with trade union representatives on Global Reporting Initiative (GRI) bodies together with other trade unionists that have been involved in the GRI.

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1 - Introduction

In recent years many companies have been publishing “Social Responsibility” or “Sustainability” reports. These reports are intended to provide the public with information concerning the impact of the company on society and on the environment. “Social responsibility” or “sustainability” reporting has become a regular practice for major companies. These reports can take the form of elaborate glossy publications and usually they can also be found on the company’s website.

The push for this kind of reporting was accompanied by a demand that there be standards of reporting. The Global Reporting Initiative (GRI) was created to fulfil this demand. The Global Reporting Initiative’s *Sustainability Reporting Guidelines* are a set of principles on how to report as well as a framework on what to report. Today the *GRI Sustainability Reporting Guidelines* have become the most widely used and recognised benchmark for this kind of non-financial reporting. Because more and more companies base their reports on the *GRI Guidelines*, understanding these guidelines is important for trade unionists who need to know about non-financial reporting. In this respect it should be noted that the GRI Guidelines have an influence on reports even when this influence is not acknowledged.

A Trade Union Guide to the GRI Sustainability Reporting Guidelines is intended for trade union representatives at the international, national and enterprise levels. Its purpose is to provide an introduction to non-financial reporting in general and to the GRI Guidelines in particular. The Guide should assist trade unionists in understanding and evaluating reports by companies based on the *GRI Sustainability Reporting Guidelines*. It is also intended to help trade unionists engage management over a company’s sustainability or social responsibility report. The guide focuses on the parts of the *GRI Guidelines* that are likely to be of the most interest to trade unionists and does not seek to address all issues.

There are many and various reasons for trade unionists to be interested in sustainability or social responsibility reports, the *GRI Sustainability Reporting Guidelines*, and non-financial reporting in general. The most obvious reason to be interested in these kinds of reports is as a source of information. Using these reports can, in part, address the limited capacity of trade unions to undertake research about companies. Some trade unions, especially those that have members employed by the company, may find that the reports contain little that is not already known. However, many companies claim that one of the most important targeted readers of their sustainability or social responsibility reports are their own employees.

Understanding what a company wants its employees to know about how it perceives its social responsibility can provide a potentially useful insight into management thinking. These reports are likely to contain commitments concerning the company’s behaviour that trade unions can use in efforts to influence the company – for instance in obtaining recognition for a trade union or in resolving a dispute.

Sustainability and social responsibility reports can be used as a means of engaging companies. Indeed, the reporting process for sustainability reports is supposed to involve "stakeholder engagement" and should be viewed as another opportunity for trade unions to participate in a dialogue with management. In theory the preparation of these reports could provide the basis of dialogue with management at various levels. This could include dialogue within the company at workplaces or nationally. Dialogue involving international trade union organisations such as the Global Union Federations could be facilitated. Sustainability or social responsibility reports of individual companies could be used to encourage dialogue between trade union organisations and industry associations either nationally or internationally.

For this reason *A Trade Union Guide to the GRI Sustainability Reporting Guidelines* suggests issues and questions that trade unions can raise with a company over its report. Although the principal interest in sustainability and social responsibility reports by trade unions will be related to specific companies, there are other trade union interests at stake. These reports are an essential element in the practice of Corporate Social Responsibility and they are part of the public policy debate over whether and how to hold companies accountable. An understanding of this kind of reporting and of the GRI Guidelines will enable trade unions to better influence this debate on behalf of workers. The growth of social responsibility or sustainability reporting will affect workers. This is because deciding what to report on is another way of deciding what is important.

Trade unions do not have to use these reports in order to be concerned about what companies report on. How international labour standards are understood, and the perceptions concerning the relationship between having good industrial relations and being socially responsible, will be influenced by this kind of reporting.

Trade unionists should also be concerned about the industry that has emerged involving the "assurance" of these reports. The demand for credibility and verification of the claims made in reports creates both opportunities and dangers that need to be understood by trade unions.

An introduction to non-financial reporting is the starting point for the guide. The GRI as an organisation is explained and the *G3 Guidelines* are then described. Following these introductory sections, the two major parts of *GRI Sustainability Reporting Guidelines* are examined. First, the question of how to report is considered. This involves the process of defining report content, quality and the boundaries or scope of reporting. Each of these aspects of company reports is considered and practical suggestions are provided for improving these sections of reports. Second, the question of what to report is examined. This involves consideration of the *G3 Guidelines'* "Management Approach" disclosures and their "Performance Indicators". Finally, a series of tables are appended to the manual for easy reference. These reference tables provide a quick way to identify important questions that trade unionists should ask about company reports when analysing them.

2 - Introduction to Non-Financial Reporting

2.1 The relationship of Corporate Social Responsibility and Sustainable Development to non-financial reporting

Two concepts, Corporate Social Responsibility (CSR) and sustainable development are closely linked to non-financial reporting by corporations. Corporate Social Responsibility (CSR) has emerged as a concept that has had great influence on how many people think about the social responsibilities of business.[1] There are many definitions of CSR but they mostly share some common elements. The main idea of CSR involves management taking into account the impacts of the company's regular activities and its decisions on society and on the environment. CSR is about how a company identifies its impacts, measures them, understands them and reports on them. CSR is also how a company addresses such impacts, including by engaging those groups affected by its activities. The growing interest in CSR can, in part, be linked to demands that companies be held accountable for their actions and that they contribute to solving important social and environmental problems. Non-financial reporting is considered one means of accountability. It is one element, but widely recognised as an important element, of today's concept of corporate social responsibility.

CSR has been called the business contribution to sustainable development. The widely used definition of sustainable development as discussed by the UN Brundtland Commission in 1987 is "development which meets the needs of the present generation without compromising the ability of future generations to meet their own needs". Sustainable development has been an important factor in driving non-financial reporting. The reporting of environmental impacts developed earlier than that of social impacts and is further advanced. Indeed, the Global Reporting Initiative began as a project of a US-based environmental organisation.

Sustainable development is a broader concept than the environment. Sustainable development is considered to consist of three pillars: social, environmental and economic aspects. Trade unionists have an interest in all three "pillars" or "dimensions" of sustainable development. When considered in terms of a company's performance they are sometimes referred to as "the triple bottom line". The idea of a triple bottom line implies that companies can measure their performance on social, environmental and economic grounds and that companies are able to balance these different interests to ensure sustainable development. While at first glance this is a positive concept, it can also be seen as a problematic one.

First, there is no universal understanding of what contributes to sustainable development. The concept of sustainable development was developed to address the relationship between the environment and development. The idea is that economic growth and

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[1] For a fuller discussion of CSR, see *A Trade Union Guide to Globalisation*, 2nd Edition, Chapter VI, http://www.icftu.org/pubs/globalisation/globguide.html

protection of the environment can be reconciled if human activities including organisations and institutions become sustainable. Among other things this means that the social impact of activities must also be taken into account. Although both the environmental and economic dimensions of sustainable development are widely understood and accepted, there is no commonly agreed understanding of this "social dimension". Trade union understanding of sustainable development recognises the importance of social justice and of institutions such as social dialogue and collective bargaining. Unfortunately, this perspective is not shared by everyone.

Second, the meanings of the word "sustainable" used in different contexts are confused. It is important to differentiate sustainable development from the term sustainable enterprises or enterprise sustainability. Enterprise sustainability is concerned with the ability of an enterprise to survive or continue to exist. As a subject it concerns how enterprises innovate, adapt and change. Addressing new challenges such as environmental, social and economic issues associated with sustainable development can be important for the sustainability of the enterprise but it is not the same thing as sustainable development, which, as noted above, is about meeting the needs of the current generation without damaging those of future generations. The goals are quite different with one focusing on society and future generations whereas enterprise sustainability is about the sustainability of the company in the sense of its longevity, survival or success. Of course there will be links between sustainable development and the sustainability of an enterprise – consider how resource depletion can affect a company's activities – but the important thing is to remember that the success of a company and the interest of broader society in sustainable development are not necessarily the same thing.

2.2 The driving forces behind non-financial reporting

There are various reasons why non-financial reporting has become so important to companies. As already noted, this kind of reporting is linked to the demands of trade unions and others for companies to be held accountable. These demands for corporate accountability arise both from concern over excessive corporate power and from a belief that business has the capacity to play a role in addressing today's most pressing social and environmental problems and therefore should do more in this respect. To a certain extent companies voluntarily report their non-financial performance as a way of seeking to avoid regulation. Some governments too see CSR and non-financial reporting as a low cost alternative to regulation.

There are, however, other perhaps more important drivers behind the growth in non-financial reporting than the drive to make companies more accountable (or for companies and governments to avoid regulation to increase accountability). Non-financial reporting can be of great interest to those seeking to determine the value of a company. This would include investors as well as the industry that serves financial markets including the accounting industry. Today, the value of a company is becoming increasingly dependent on factors that cannot easily be measured in terms of money and not only on its financial assets and performance. These factors are called "intangibles" and can include the reputation, image or brand names of the corporation.

Some intangibles, such as customer goodwill or employee motivation, are obviously related to the success of a company. Other intangibles, including many of the impacts that a company's activities will have on society and on the environment, are not as easily related to the company's success. If, for example, a corporate slogan or trademark becomes associated with sweatshop labour, or environmental destruction, it is now widely believed that the financial performance of the company will also be negatively affected.

Changing business relationships and changes in the organisation of production characterised by increasingly complex supply chains and by outsourcing have increased the importance of intangible assets. There is also a belief that the ability of a corporation to manage its social and environmental impacts indicates the presence of competent, forward looking management. Thus, it is increasingly important that investors have access to this information and that companies are able to measure and report it.

Companies are being evaluated for investment purposes based on non-financial information. For example the FTSE Group, an independent company owned by the Financial Times and the London Stock Exchange, maintains 4 indexes that measure various elements of corporate social responsibility. The FTSE4Good index series is probably the most prominent. Dow Jones, a leading company providing financial analysis and indexes to investors in the New York Stock Exchange, has launched the Dow Jones Sustainability Index. Other enterprises, referred to as "rating agencies", issue reports on companies' non-financial performance intended for investors. The information aimed at investors is not really concerned with public accountability, the welfare of society or achieving global sustainable development but about the material impact on the value of the company of its own activities.

As socially responsible investing grows and investors continue to seek non-financial sources of information, initiatives such as the Global Reporting Initiative will have a role to play. One of the reasons corporations are willing to invest resources on "responsibility" or "sustainability" reports is that it is a relatively efficient way of dealing with inquires from investors or the enterprises that rate companies for investors.

2.3 The challenge of measuring social performance

Because of the importance to investors of intangibles it is not difficult to imagine a day when large companies will be expected to provide single comprehensive reports addressing both financial and non-financial performance. This development has been both anticipated and encouraged by the accounting industry. Not surprisingly the practices and principles of non-financial reporting have been heavily influenced by the accounting industry. Most of the reporting principles and practices developed by the Global Reporting Initiative have been borrowed or shaped by the concepts, principles, and practices of financial accounting. This would include the concepts and principles of materiality, completeness, comparability, accuracy, timeliness, and reliability for example.

Unfortunately, the influence of the accounting industry has not always been positive and indeed raises some troubling issues. One issue concerns report content. Another is the potential conflict of interest related to the promotion and selling of report “assurance”.

With respect to content, the problem is that the accounting industry encourages the reduction of all types of information into quantifiable measurements. This is easy for financial reporting as money is always the most appropriate measurement and is by its nature expressed in comparable quantities. Since one of the main user groups of non-financial reports are investment analysts, the reports are at least partially geared towards providing usable and relevant information for analysts who help make determinations about whether to invest in a particular company.

Yet it is not possible to reduce all information to quantifiable form. While some environmental measures can be more easily quantified, social issues, and the behaviour of companies with respect to social issues, are much more difficult to reduce to numbers. Most efforts to produce quantifiable measurements for these reports are directed at “performance indicators”. The *G3 Guidelines* defines a “performance indicator” as “qualitative or quantitative information about results or outcomes associated with the organisation that is comparable and demonstrates change over time.”

An “indicator” generally refers to a number or ratio that is based on a series of observed facts about a particular question or subject. The problem with the use of indicators in non-financial reporting is that social issues are not easily measured. The measure chosen may not be a good measure of what it is supposed to measure. For example, the number of complaints about discrimination will not be a good indicator about discrimination in the workplace. It only tells you how many people are complaining. A low number of complaints may be because people are afraid to complain. This indicator demonstrates very little.

Another example of an indicator that is not valid is one that calls for the number of days lost by strikes. This is a poor indicator of the quality of industrial relations, as well as for the respect of freedom of association, or even for ‘employee satisfaction”. The same figure could be present in situations where industrial relations were good, bad or non - existent. They could be present in situations where freedom of association was respected or where it was repressed. Strikes can increase or decrease employee “satisfaction”. Such problems demonstrate the difficulties involved in developing legitimate indicators for industrial relations or human rights.

When confronted by challenges in measuring social issues management will often say “what can not be counted can not be measured.” The best response to management in these situations is a quote from Albert Einstein: “Not everything that can be counted counts and not everything that counts can be counted.”

2.4 The problem of assurance

A second area where the influence of the accounting industry has not been positive is "assurance". The rise of non-financial reporting has resulted in a new industry of enterprises that provide services to companies on preparing their reports or that sell "assurance" of reports. The accounting industry has become involved in both services.

The *GRI Guidelines* describes assurance as "published conclusions on the quality of a report and the information contained in it". This assurance is meant to be similar to that provided by financial accountants for a company's annual financial statements. Assurance providers examine a company report as well as the documentation and process used to create the report. They then "assure" the reader, through a formal statement that the report is "true", "fair" or "accurate". This statement is usually in the form of a letter that often appears at the beginning of the report issued by the company.

There are problems with "assurance". First, the industry of enterprises selling "assurance" is unregulated. There are no legitimately agreed or standardised qualifications of the firms or individuals who provide these assurances. There are no sanctions for unprofessional conduct.

Second, assurance can be misleading and even reduce transparency. An assurance statement may only mean that, in preparing its non-financial report, the company complied with certain processes or rules (following the *GRI Guidelines* for example). The assurance provider may not have performed any sort of external verification regarding the actual claims in the report. The reporting company may use the "assurance provider" as a means of not disclosing the documentation that backs up the report and its claims. After all, the assurance provider has attested that this material exists and is alright.

Report credibility is a major problem that will have to be addressed. There may come a day when assurance providers can play a role similar to that of accountants. That day has not arrived. In the meantime it is useful to recall that independent non-commercial organisations such as Non Governmental Organisations (NGOs) and trade unions can contribute to the credibility of sustainability and social responsibility reports. Companies can engage these kinds of organisations over their sustainability report and provide them with documentation and other evidence to back up their claims. In other words, greater transparency and dialogue is an important means for increasing report credibility.

In this regard it is useful to keep in mind the differences between the terms "verification", "monitoring", "certification" and "assurance". **Verification i**s a very broad term for anything that proves a statement or claim (such as in a report). A company can verify its report in the sense of providing evidence that supports its claims. Outside organisations can also undertake actions that result in evidence to support or refute something in a report. **Monitoring** means a frequently repeated or continuous checking or observing of something. Companies monitor their own activities, which is an important part of many management systems. A principal function of trade unions is to "monitor" workplaces, for instance with respect to compliance with collective agreements.

In recent years a number of **certification** systems have been developed concerning various issues related to social responsibility. There are certification schemes for the environmental impact of commodities and other products (for instance forest products, or agricultural products such as cotton) as well as for industries (for instance mining). Not all of these systems are credible or good however. Certification schemes that involve labour practices, especially those that certify working conditions at non union workplaces, are controversial, to say the least, for trade unionists. However, the point here is that there are certification systems for specific subjects that are used by companies to back up their reports. The *G3 Reporting Guidelines* encourage the reporting of certifications received by a company.

Trade unionists should not become confused by the debate over "assurance". Assurance is only one practice and it is not the only, nor the best, means to verify sustainability or social responsibility reports. One clear danger is of an evolution that results in commercial "assurance" providers certifying that a non-unionised or anti- union company's labour policies, or the working conditions in non-union workplaces, are good and adequately monitored.

3 - What is the GRI?

The GRI was established to create the standards needed for non-financial reporting to be credible, comparable and, in part, reliable – that is to provide a common reporting framework similar to the frameworks used for financial reporting. The GRI was inspired and, to a certain extent, modelled after the accounting standards bodies that can be found in countries at the national level and, at the international level, by the International Accounting Standards Committee. The GRI was also influenced by other "multi-stakeholder" initiatives that have been created that bring business together with interested parties such as NGOs and trade unions in order to address CSR issues.

The GRI was initially created in 1998 as a project of CERES, a US based environmental organisation. CERES established a GRI Steering Committee and served as the secretariat of the initiative until 2001. The United Nations Environmental Programme (UNEP) provided support to the GRI and in 2000 the GRI released the first version of its *Sustainability Reporting Guidelines*. In 2001 the GRI became a completely independent organisation. In 2002 the GRI released the second version of *the Sustainability Reporting Guidelines* at the World Summit for Sustainable Development. The third version of the *Guidelines*, known as "G3" was released in 2006 and is the subject of this guide.

Governance

The governance structure of an organisation is the system by which it makes its decisions and how decision makers are held accountable. The governance structure of the GRI seeks to reflect the various interests of a "multi-stakeholder" organisation while at the same time functioning as a standard setting body similar to that of an accounting standards body. There are three main bodies in the GRI governance structure: the Board of Directors, the Stakeholder Council and the Technical Advisory Council.

Membership in the GRI is for organisations called “Organisational Stakeholders”. These “stakeholders” are grouped into four “constituent categories:” which are the basis for participation in GRI’s governing bodies. These constituent categories are business, civil society, labour and “mediating institutions”. The business constituent category includes companies, and also business organisations such as chambers of commerce and associations of businesses focused on specific issues such as corporate social responsibility. The civil society category includes various Non Governmental Organisations (NGOS) such as environmental and human rights groups. The labour category is for trade unions.

The fourth category, “mediating institutions”, includes organisations such as “accounting, consultants, foundations and governments”. The term misleadingly implies that organisations such as accounting firms and consultants somehow act as a “neutral” party or as a “go-between” for those that produce reports and those that use reports. This gives the accounting industry and the CSR industry a role and an authority that is not justified. Many of the organisations assigned to this “stakeholder category” do not represent interests in the same sense that trade unions represent the interests of workers or that environmental groups can be relied on to speak out for protection of the environment. Indeed, many of the “mediating institutions” have serious commercial interests in the form of selling services. This misleading name of this category reflects an excessive influence of the accounting industry and would-be sellers of “assurance”.

The Board of Directors (BOD) consists of 16 people who have fiduciary, financial and legal responsibility for the GRI. It is the final authority for GRI governance. Currently there are two trade union representatives on the Board of Directors.

The Stakeholder Council (SC) consists of 60 people. It is intended to ensure that the various interests of the constituent categories have adequate representation. According to the GRI, the SC functions include approving nominations for the BOD, making strategic recommendations to it, participating in working groups of the secretariat, and advising on building the GRI network in constituencies. There are 6 seats on the Stakeholder Council for the labour category for trade union representatives. Other interested members of the SC include representatives from business and business associations, environmental and human rights organisations and socially responsible investing companies, which includes analysts who use the reports to make decisions about where to invest money. One criticism of the SC is that it is expected to promote the GRI more than it is expected to shape GRI policy. Another criticism concerns the practice of organising SC work along regional lines. This has the effect of diminishing the influence of constituents’ groups such as labour.

The third governance body in the GRI, its Technical Advisory Committee (TAC), reflects a structure found in accounting standards bodies. The TAC is made up of 10 to 15 people. Its role is to ensure that expertise is part of the standard setting process. The TAC is meant to provide advice and expertise to the BOD specifically and to GRI as a whole. Its function is "to recommend direction on the overall architecture of the GRI reporting framework and the key issues that arise specifically around the guidelines content; ensure technical documents are created under due process; and submit a concur/non-concur recommendation to the Board on whether to approve drafts of GRI reporting documents for release."[2] It is supposed to strive to work by consensus but will acknowledge dissenting opinions. There is currently 1 trade union representative on the Technical Advisory Committee.

The GRI has an Executive Director and a secretariat consisting of approximately 35 persons. Its headquarters is in Amsterdam.

As a "multi-stakeholder" organisation the GRI attempts to involve and accommodate different groups and interests within its governance framework. Multi-stakeholder organisations are intended to be as inclusive as possible with respect to all of the relevant interested groups; however, it is not unusual to hear complaints from participants that their interests may not have been fully taken into account. This is not always evident beyond those who participate in the processes, but it is a real concern when organisations set standards without clear procedures or structures in place. A governance problem is that the GRI has insufficient written rules for its standard setting process. Such rules need to be formalised and, among other things, to cover how the various working groups and committees are established to create standards, how persons are selected to participate in these working groups and committees and how decisions are made.

Trade union involvement

Trade unions had no significant role in establishing GRI or in the development of the first version of the GRI *Sustainability Reporting Guidelines.* However, the International Confederation of Free Trade Unions (ICFTU), a predecessor of the International Trade Union Confederation (ITUC), became involved in the process that led to the development of the second version of the *GRI Guidelines*. The decision to become involved with GRI was, in large part, based on the likelihood that the *GRI Sustainability Reporting Guidelines* would become an important international standard and the concern that, without trade union involvement, any reporting standard could have an adverse impact on workers and their trade unions. As noted earlier, it was recognised that deciding what should be reported on is one way of deciding what is important.

One principal trade union objective in becoming involved in GRI was to protect established international labour standards set by the International Labour Organisation (ILO) instruments, and already established expectations for business behaviour such as those found in the *Guidelines for Multinational Enterprises* adopted by the Organisation for Economic Co-operation and Development (OECD). Another principal objective involved ensuring that the importance of trade unions, industrial relations and collective bargaining was not overlooked when deciding the content of company reports.

[2] http://www.globalreporting.org/AboutGRI/WhoWeAre/TechnicalAdvisoryCommittee/

Trade union participation in GRI governance has been based on the principle that only trade unions, as the representative organisations of workers, can decide who represents labour. For this reason, trade unions insisted that there be a distinct constituent category for labour. Because GRI is a global organisation, decisions with respect to trade union involvement in GRI governance are made collectively through the Council of Global Unions, which is the association of the most representative international trade union organisations – the ITUC, the Trade Union Advisory Committee (TUAC) to the OECD and the Global Union Federations (GUFs). In this regard, the labour category has been represented in the development of the various "sector supplements" to the GRI Guidelines by the GUFs, which are the international associations of trade unions grouped by industry.

As Table 2.1 shows, the proportion of trade union representatives in each GRI governance body is relatively small. Trade unions only represent approximately 10 per cent of the positions in the GRI governance structure. While not insignificant considering the large number of "organisational stakeholders" participating in GRI, it is small when compared to industry representation or the representation of what GRI calls "mediating institutions" (such as professional auditing and verification firms) particularly in light of the millions of workers represented by international trade union organisations.

Table 2.1 Trade Union Representation in GRI Governance

Governance Body	Total Members	Trade Union Members	% of total members representing unions
Board of Directors	16	2	12.5%
Stakeholder Council	60	6	10%
Technical Advisory Committee	10-15 Currently 10	Currently 1	10%

Decision making is supposed to be based on consensus and, where consensus cannot be reached, dissenting views are to be reflected in advice given to the board of directors.

Trade union experiences with other "multi-stakeholder" organisations have given rise to a number of concerns that also exist with respect to GRI. Unlike social dialogue, participating organisations will not be of equal importance nor will be they be equivalent with respect to their representativeness.

The GRI and the UN Global Compact

The GRI has a relationship with the Global Compact of the United Nations. The Global Compact was launched in 2000 as an initiative of UN General Secretary Kofi Annan. The Global Compact is based on 10 "principles" which are derived from UN instruments such as the Universal Declaration on Human Rights and the ILO Declaration on the Fundamental Rights at Work. Companies join the Global Compact by pledging to incorporate the Global Compact principles in their activities and, more specifically, by participating in four “engagement mechanisms”: dialogue, learning, Local Networks (usually organised on a national basis) and project partnerships (usually involving government and a development-related objective).

Companies participating in the Global Compact are required to report on their actions to support the Global Compact by filing “Communication on Progress” (COP) reports with the Global Compact Office annually. As a result of its “alliance” with GRI, the Global Compact allows for the COP reporting requirement to be integrated into a G3-based sustainability report. This can be viewed as a positive development as the range of responsible behaviour covered in the *G3 Guidelines* is greater than the expectations set out n the Global Compact principles.

It is important to understand that, although the Global Compact principles are based on authoritative intergovernmental instruments, these principles themselves do not have the same status as these instruments. Moreover, the relationship between the GRI and the Global Compact does not mean that the GRI is part of the United Nations. The GRI is a voluntary private initiative.

4 - The G3 Guidelines

The primary product of the GRI is its *Sustainability Reporting Guidelines*, the latest version of which is known as the “*G3 Guidelines*” or more simply, “*G3*”. Reports prepared according to the *G3 Guidelines* are reports to the public, not reports to the Global Reporting Initiative.

The *G3 Guidelines,* as with the earlier versions of the *GRI Sustainability Reporting Guidelines,* are considered to be suitable for all organisations – small or large, business, government or “civil society”. However a review of any version of the *GRI Guidelines* should make it clear that they were developed with business organisations in mind, and well- resourced business organisations at that. The *G3 Guidelines* are not really appropriate for every kind of organisation. Accordingly the focus of this Trade Union Guide is on companies.

The *G3 Guidelines* are divided into two parts. The first part concerns **how to report** and deals with reporting principles. These include principles related to report content, quality and boundaries. The second part deals with **what to report**. This is broken down into the company profile and strategy, the “Management Approach” disclosures and the performance indicators. Each indicator in the *G3 Guidelines* is accompanied by an indicator protocol. These protocols discuss definitional issues surrounding the indicator and steps to follow in collecting and reporting on information. What the *G3 Guidelines* say about how to report is considered below in Section 5 of this report. What the *G3 Guidelines* say about what to report is considered in Section 6.

Additional elements to the *G3 Guidelines,* which are not covered in this guide, are the series of “sector supplements” that have been developed. These supplements address issues considered specific to different industries and are a response to the “one size fits all" approach of the *G3 Guidelines*. To date, ten sector supplements have been prepared and are available online.[3] These are apparel and footwear, electric utilities, financial services, public agencies, automotive, logistics and transportation, telecommunications, mining, non-profits and tour operators.

When they were adopted, trade unions recognised that the new *G3 Guidelines* contained substantive changes over the previous version, most of which could be considered improvements that addressed some of the trade union concerns. Among these concerns was that there be a greater distinction between the broader interests of society including sustainable development on the one hand and the success of the reporting organisation and its own "sustainability" on the other hand. Another concern was that the *G3 Guidelines* should not become a means to promote the burgeoning industry of commercial "assurance" providers.

With respect to content, trade unions sought performance indicators that were both valid and relevant. Trade union concerns with respect to the limitations of performance indicators were addressed in large part by the addition of new sections for the disclosure of the "Management Approach" which is intended to provide more information that will help place the indicators in a context. The management approach disclosures are intended to allow companies to integrate better qualitative information and descriptions of their activities, policies and impacts to supplement quantitative indicators.

Application levels and the GRI Content Index

One of the complex issues throughout the history of the *GRI Sustainability Reporting Guidelines* concerns when a company can claim that its report follows (i.e. is based on, is consistent with, etc) the GRI Guidelines. The problem is that strict requirements for using the GRI name could discourage companies from using the Guidelines in the first place. On the other hand without some requirement the meaning and credibility of GRI would be questionable.

Today the new *G3 Guidelines* seek to balance this conflict by requiring companies that want to claim that their reports are consistent with *G3* to declare an "Application level". There are three application levels (A, B and C). Each level requires reporting on specific disclosures in the *G3 Guidelines*. Companies that request the GRI to make an "Application-Level Check" (for a fee) may place a "GRI-checked" icon in the report.

The *GRI Guidelines* do not require that reports follow the same format or that information be provided in a precise order. However, all "G3 reports" must now include a "GRI Content Index" which lists all the standard disclosures that are reported on and where this information can be found in the report.

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[3] See http://www.globalreporting.org/ReportingFramework/SectorSupplements/.

5 – How to Report: Content, Quality and Boundaries

Introduction

Part I of the *G3 Guidelines* considers report content, report quality and the boundaries or scope of a report.

Defining Report Content

Determining the content of a report is the important first step in the preparation of a report. According to the GRI "[t]his determination should be made by considering both the organisation's purpose and experience, and the reasonable expectations and interests of the organisation's stakeholders".[4] The concept of a "stakeholder" is an important one in the *G3 Guidelines*. A stakeholder is considered as an individual or organisation having an interest (or "stake") in the activities or decisions of the organisation. In principle the report is intended for the company's stakeholders, which can be another name for the report users. However, many individuals and organisations that have an interest in the activities of the reporting organisation will not be report users even through they would be genuine "stakeholders".

Except in a few countries, non financial reporting is not a legally binding obligation. The process of defining what goes into a report will be a management decision. While there may be opportunities to provide advice, the final decision about what goes in a report rests with the company. However, the GRI provides a number of principles to guide companies in defining report content. These include materiality, stakeholder inclusiveness, sustainability context and completeness. According to *G3* each of these are considerations that a company should use to determine whether information is included in its report.

Materiality

Materiality is a key principle in financial accounting and auditing, and the use of this term in the *G3 Guidelines* is further evidence of the linkage of non-financial reporting to financial accounting. In financial terms, materiality is the threshold at which economic decisions are influenced. GRI defines materiality as "something that reflects the organisation's significant economic, environmental and social impacts" or something "that would substantively influence the assessments and decisions of stakeholders." In other words materiality is related to being both relevant and important. The best test of whether information is material is whether leaving it out would be misleading.

Trade unionists will consider many labour practices of a company material to a company's responsibility or to its contribution to sustainable development.

[4] G3 Guidelines p. RG7

The *G3 Guidelines* provide some guidance on how to determine materiality of information. They recommend using both "internal" and "external" factors in determining whether something is material. "External" factors include issues important to stakeholders; topics reported as challenges by peer companies; relevant laws, international agreements or voluntary agreements of strategic significance to the organisation; and reasonable estimable impacts identified by people with expertise. "Internal" factors include the organisation's values and policies; interests of stakeholders specifically invested in the success of the organisation (investors, employees, suppliers); significant risks to the organisations; factors relevant to the organisation's success; and the core competencies of the organisation.

The process by which an issue or information is determined to be material involves judgement on what can be highly subjective matters. Thus if a company wants to exclude a particular issue from its report it can usually find a way to justify doing so. However, trade unions can use the broad lists of external and internal factors mentioned above to argue why companies should report on something. The factors provided in the *G3 Guidelines* to determine materiality can be a means to obtain more disclosure on the part of the company.

Stakeholder Inclusiveness

"Stakeholder inclusiveness" is the second reporting principle in the *G3 Guidelines*. The *G3 Guidelines* use a very broad definition of stakeholders as "entities or individuals that can reasonably be expected to be significantly affected by the organisation's activities, products, and /or services; and whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives. This includes entities or individuals whose rights under law or international conventions provide them with legitimate claims vis-à-vis the organisation."[5] The definition is borrowed from the CSR industry which finds it convenient not to distinguish the interests of the organisation with the interests of broader society. Thus any organisation that can affect the reporting company even if it has no genuine or identifiable interest (or "stake") can be considered a "stakeholder".

There are several problems with the term "stakeholder" that should be noted. Because "stakeholder" is defined so broadly, its meaning is vague and its use can be misleading. A big danger in this respect is that management should not be able to decide on an organisation's responsibilities on the basis of consulting "stakeholders" that it has chosen itself. An organisation's responsibility in a given situation and the expectations of the right behaviour with respect to this responsibility will be best known through other means including laws, widely shared values, and the established best practice with respect to specific issues. Engaging stakeholders as potential readers of sustainability reports in order to discover what they want reported on must not become a means for a company to redefine or reinterpret its already established responsibilities.

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[5] G3 guidelines p. RG10.

There will be many reasons to engage stakeholders. Many of those affected by a company's activities will have a right to be engaged because it is their rights that are being affected by the company's activities. Stakeholder engagement can be used to increase the beneficial effects or decrease the harmful effects of a company's activities. Stakeholder engagement can help a company understand the likely impacts of its activities more than it might otherwise have. It can be used to address conflicting interests, to increase transparency and hence credibility and to review and thereby improve performance. Stakeholders are better defined as the individuals and organisations affected by the company or as those with a clearly identifiable interest in the activities of the company. Stakeholders should have genuine "stakes".

All stakeholders are not equal. Some are far more important than others. This leads to problems regarding which stakeholder interests are "balanced" and "prioritised" by a company. The *G3 Guidelines* state that when an organisation encounters conflicting views or differing expectations among its stakeholders, it should be able to explain how it balanced these in reaching its reporting decisions.[6] The definition used by the *G3 Guidelines* includes entities that "have rights under law both national and international". However, the definition and the guidance in the *GRI Guidelines* do not prioritise different stakeholder interests in any way, despite the fact that legal claims are stronger than a stakeholder who has no basis for a claim against the company except that they consider themselves to be significantly affected. Thus trade unions should ensure that there are adequate explanations in the report of how conflicting views on how to report were balanced and how various interests were prioritised. Trade unions should question companies when interests with no basis in international or national law are given priority over those which do have a basis in international or national law.

There are several practical problems that can arise with respect to stakeholder inclusiveness in company reports. Stakeholder inclusiveness can result in companies consulting with NGOs on labour issues rather than with trade unions. Another problem might arise where a company deals with labour issues but does not actually consult with trade unions. Where a company is unionised, a company should be reporting on its collective bargaining and other relations with the trade union organisations that represent its employees. Where a company is not unionised, it should consider reporting consultations with a relevant trade union representing workers in the industry or sectors in which it operates. By any measure, trade unions should be considered among the most important stakeholders.

The *G3 Guidelines* state that for a report to be "assurable", the process of stakeholder engagement should be documented. The *G3 Guidelines* also state that the reporting organisation should document its approach for defining which stakeholders it engaged with, how and when it engaged with them and how engagement influenced the report content, thus enabling a company to identify direct input from stakeholders as well as legitimately established societal expectations.[7] This is useful for trade unionists engaging companies concerning their reports. Trade unions should ask which trade unions were

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[6] Ibid.

[7] G3 Guidelines, RG 10.

consulted in the preparation of the report, when and how, and request that companies include this information in their reports. Obtaining this information would help to establish how trade unions and workers should react to claims regarding labour practices, as well as human rights including freedom of association.

Trade unions should consider how employees or other workers are treated as stakeholders. While consultations through joint management-labour health and safety committees and negotiations in collective agreements may be seen as stakeholder consultation by some companies, many companies will overlook industrial relations altogether.

Sustainability Context

The "sustainability context" principle concerns the relationship of the reporting company's performance to broader issues of sustainable development. Companies are expected to report on how their performance contributes to "the improvement or deterioration of economic, environmental or social conditions" in relation to "the limitations placed on environmental or social resources at the sectoral, local, regional or global level". This thinking is inspired by environmental concern over the link between the economic activities of a company and environmental deterioration. According to this thinking it should be possible to relate the use of resources or pollution levels of a company to the overall resource levels or the capacity of the environment to absorb pollution. However, this may turn out to be more difficult to do then it seems and the result may be of limited value even if it is not difficult to understand.

It is not clear how this concept is applied to the economic and social dimensions of sustainable development where the nature of limits is not always apparent or relevant. How this would be done for the labour issues is certainly not clear. In the example provided for labour, the *G3 Guidelines* suggest that reporting on the sustainability context might involve comparing wage rates to the "nation-wide minimum and median income levels and the capacity of social safety nets to absorb those in poverty…"

Social and economic institutions such as minimum wages and social security are human creations and as such are qualitatively different from the natural environment. They are created by political choices and are not finite in the sense that natural resources are finite. In the example given about labour, the nature of social safety nets is not understood. They do not "absorb" those in poverty. They are about preventing social exclusion and are intended to keep persons from falling into extreme poverty. Moreover, it could be pointed out that neither the actual wage rate, nor the national minimum wage, nor the median income level, will always be appropriate measures when considering the social value of compensation. The real problem however is that the kind of cost-benefit analysis that is being used here is inappropriate for the values involved.

An important aspect of the sustainability context that may be overlooked, but that trade unions should not allow companies to ignore, is the issue of the political environment and governance. This should concern all companies that operate in countries where the government is not democratic, where the government does not permit respect for human rights, where it suppresses civil liberties or where the rule of law is not respected. The existence of these situations will affect the labour practices of a company and the conditions under which work is performed. Indeed, in many countries governments suppress the right of workers to form or join trade unions and to bargain collectively. Trade unions should ask companies to identify situations where they operate in the above mentioned contexts and to explain how they address their responsibilities to workers in these environments. This explanation should include any efforts to influence governments in this context.

Completeness

The principle of "completeness" concerns whether the report provides sufficient information in order for readers to assess the organisation's performance for the reporting period. Completeness has three main components: "scope", "boundary" and "time".

Scope refers to the topics covered. Trade unions will want to ensure that issues important to them are covered in the report, including industrial relations, collective bargaining and so forth.

Boundary refers to the range of entities that the business reports on. The boundary of a report can be very important for trade unionists. The *G3 Guidelines* approach to boundaries is to treat them as the range of entities (subsidiaries, joint ventures, sub-contractors) over which the reporting company exercises control or influence. The boundaries of a report should also include the issue of contracting out of work. This practice often has negative impacts on workers and communities. Often companies will contract out work to reduce costs or to avoid the obligations that labour law imposes on employers.

Time in this context refers to the need for information to be complete for the time period of the report. Many of the performance indicators in the *G3 Guidelines* address issues where, without "time series data" (several years of data, as opposed to one year of data), it will be difficult to evaluate company performance. For example, if a company reports the number of accidents in a given year, did this increase compared to the previous period? Time series data is extremely important to understand company performance.

Defining Report Quality

The *G3 Guidelines* include a set of principles for defining report quality. These include balance, comparability, accuracy, timeliness, clarity, and reliability. The G3 instructs companies that when decisions are made regarding how to report they should be consistent with these principles. This section considers each principle and what trade unionists should be aware of with respect to it.

Balance

"Balance" refers to whether a report reflects both positive and negative aspects of a company's performance. The idea is to allow the reader to develop a reasoned assessment of overall company performance. This is an important principle if non financial reporting is not to be seen as the exercise in public relations which it often is. Insisting that a report be balanced is a step toward turning PR into something more useful – including a basis for social dialogue. Trade unions should ask companies to report information that demonstrates negative trends in performance and unfavourable results and not just "success stories".

Comparability

"Comparability" refers to whether the information and issues reported on are selected, compiled and reported consistently. The *GRI Guidelines* correctly identify two aspects of comparability - comparability over time and comparability relative to other organisations.[8] Both dimensions of comparability are important. Comparability over time is important because it makes it possible to identify trends. Comparability between organisations is important because it enables a trade unionist to examine performance of a company in relation to similar companies in the same sector.

Accuracy

"Accuracy" is about closeness to truth. It concerns errors or mistakes. The *G3* recognises that accuracy is a matter of degree, and for "qualitative" (descriptive or subjective) information, identifies clarity, detail and balance as being the important characteristics for determining the degree of accuracy. With respect to the accuracy of quantitative (measurable) statements in a report, the *G3* acknowledges that this will depend on "the specific methods used to gather, compile and analyse data". Validity is an important concept in determining accuracy. Validity concerns whether the measure being used is actually a measure of what is supposed to be measured. One of the problems with social performance indicators is that many are not valid measures.

Timeliness

"Timeliness" refers to whether a company discloses information on a regular schedule, and whether information is available in time for stakeholders to make informed decisions. If time frames are not reported, or if information is disclosed too late it will be difficult to assess the usefulness and relevance of the information.

Clarity

"Clarity" refers to whether a report is made available in a manner that is understandable and accessible to readers. This means that specific information should be easy to find. It also means that the report should be in plain language and that jargon, technical terms

[8] G3 Guidelines, p. RG14.

and flowery, verbose language should be avoided. Companies should be asked to clarify ambiguous concepts or specialised terms used in the report. Companies could also be asked to use formats such as tables, graphs and appendixes to enable information in a report to be more easily located and understood.

While using web techniques to access different sections of the document can assist in locating information, it should be possible to examine the report as a whole. Where reports are part of the web, the entire report should be available for downloading as a single document with a date. Trade unions may want to ask companies to report information on labour issues in a particular section where it is together and easily found.

Reliability

"Reliability" refers to whether the information in a report can be checked in order to determine whether it is true. It also refers to whether a report can be checked to make sure that it was prepared according to the principles of reporting set forth in the *G3 Guidelines*. Reliability is closely related to the degree of confidence a reader can have in the report.

The information in a report should be documented. For certain kinds of information, there should be an explanation of how the information is collected. The manner in which decisions are made with respect to either report content or the processes used to prepare it are part of determining a report's reliability.

Some companies address report reliability by engaging an "external assurance provider". The assurance provider is supposed to check the report preparation process and make determinations that certain processes were followed as well as examine the evidence that supports the claims made in the report. The assurance provider is expected to issue a conclusion that verifies the information and the process. This conclusion is usually in the form of a letter from the assurer and is found at the beginning of the report.

One problem is that the use of "assurance providers" may serve as a reason to justify not revealing information that would address the reliability of its report. The danger is that the conclusions of the "assurance provider" might be considered sufficient, so that additional information supporting the claims or information about the processes used would not be made available. Trade unionists should also be aware of other problems associated with professional "assurance providers" that are noted elsewhere in this guide. An "assurance" statement may mean only that the company has followed its own procedures in collecting and analysing the information in its report, not that it accurately reflects reality.

Boundary setting

The *G3* defines "boundary" as the "range of entities whose performance is covered in the organisation's sustainability report". Deciding the boundary can mean whether the company reports on its subsidiaries, joint ventures and even its suppliers and sub-contractors. The *G3 Guidelines* state that the report should include entities over which the reporting organisation exercises control or significant influence. Definitions of "control" and of "significant influence" are provided. The *G3 Guidelines* do not require the reporting to be at the same level for different entities.

Trade unionists should demand that companies report on the labour practices of their principal suppliers and sub-contractors.

6 - What to report: the Standard Disclosures

In addition to considering how a company should report, the *G3 Guidelines* provide specific guidance on what companies should report. The second part of the *G3 Guidelines* is called "Standard Disclosures" and contains what should be considered as the basic information in any sustainability report. There are three different types of standard disclosures: the "Strategy and Profile"; the "Management Approach"; and the "Performance Indicators".

The "Strategy and Profile Disclosure" or, more simply, the "**Profile Disclosure**", includes some of the most basic information about the company such as what it does, where it operates, its size, who owns it and its governance (how decisions are made). It also includes some basic information about the report itself including the company's overall view of its relationship to sustainability, the period that is being reported on and the "boundary" of the report.

The **Management Approach** disclosure is similar to the Profile disclosure in the sense that it is about providing context. The Management Approach disclosure concerns how an organisation addresses the topics that are the subject of the **Performance Indicators.** There are Management Approach sections for each group of Performance Indicators. In addition the Performance Indicators are accompanied by "indicator protocols" which are located as an appendix to the *G3 Guidelines*. This section examines the three types of standard disclosures.

6.1 Profile Disclosure

The strategy and profile disclosure section has several important sections:

- √ strategy and analysis
- √ organisational profile
- √ report parameters
- √ report scope
- √ governance, commitments and engagement

While this information can at times appear routine, it can still be useful to trade unions to have it all in one place. This section could be especially useful for trade unions that do not represent workers in a company, for example where a trade union is seeking to help workers organise in that company. This section considers what the various sections are about and suggests what trade unions should ask companies to disclose with respect to each section.

6.1.1 - Strategy and Analysis

According to the *G3 Guidelines,* this section should not be a summary of what is in the report but focus on overall direction of the company's strategy and how it thinks about itself in relation to sustainability. It is recommended that two components be included in the strategy and analysis section: a statement from the most senior decision maker and a description of key impacts, risks and opportunities.

1. A statement from the most senior decision maker

According to the *G3 Guidelines,* this statement should address things such as strategic priorities and respect for international standards, trends that affect performance, and the main challenges facing the company for the coming 3-5 years. In practice, these statements usually involve a letter from a CEO about the company's commitment to sustainability or to corporate social responsibility. It is likely to be the least read part of any report. However, the statements may contain commitments that trade unions can use when engaging the company. Trade unions should ask that these commitments explicitly reference the two international instruments that address the behaviour of business, the ILO's *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy* ("the ILO MNE Declaration") and the OECD *Guidelines for Multinational Enterprises* ("the OECD Guidelines"). A good statement will provide insight into the direction that the company is taking.

2. Description of key impacts, risks and opportunities

The *G3 Guidelines* recommend two sections; one section to focus on the impacts on sustainability and on stakeholders and the other section to focus on the impacts of "sustainability trends" on the organisation itself. Trade unionists will want to note that, with respect to the section devoted to the impacts on shareholders, specific mention is made of stakeholders' rights that are defined in national law and through internationally agreed standards. This can be used to direct attention to the requirements of national labour legislation and to the ILO's international labour standards.

With respect to the emphasis on "sustainability trends" of the organisation, the *G3 Guidelines* suggest that this section should concentrate on financial stakeholders and the long-term prospects of the organisation. The danger is that this section can be used to blur the distinction between how an organisation contributes to or impedes "sustainable development" and whether an organisation is sustainable (see discussion above in section 2.1). What is good for a company will not always be good for society. It should always be clear that the "sustainability trends" are really related to the concept of sustainable development and not merely be any threat to the success or longevity of the organisation. A company is supposed to explain how it prioritises both the risks and opportunities of its impacts and the impacts of "sustainability trends" on the company.

6.1.2 Organisational Profile

This section is relatively simple. It involves a basic description of the company and should include the following information:

- √ Name
- √ Primary brands, products or services
- √ Structure
- √ Location of headquarters
- √ Countries of Operation
- √ Legal form and ownership
- √ Markets
- √ Scale (number of employees, net sales, total capitalisation)

With respect to scale, companies are encouraged to provide information on total assets, the largest shareholders, breakdowns of employment, sales and costs by country, and significant changes during the reporting period to size, structure or ownership of the company.

Trade unions can use this section of the report to base requests for information about shareholders, or to ask companies to explain changes concerning size, structure or ownership.

6.1.3 Report Parameters

The "report parameter" consists of its profile, scope and boundary, content index, and policy with respect to assurance. The **report profile** includes the reporting period, whether the company reports annually or uses another period and the date of the most recent report, if any. It includes the contact point for questions regarding the report. Many, if not most sustainability reports cover a calendar year and are issued the following year. Some web-based reports are updated more frequently.

The **scope and boundary** means what is covered by the report. This describes how "materiality" was determined and what the topics will be, and the stakeholders that are expected to use the report. Scope is presented in the form of a description of the process by which report content is defined. This section is also the place where the boundary of the report must be explained. If, for some reason, the scope is not as broad as it should be or the boundary is less than it should be, any such limitations must be explained at this point. This is likely to be of interest to trade unionists as this section may explain important business relationships, how the company sees its "core activities" and whether the report will contain much about contracting out or supply chain issues such as labour practices.

The report parameter is where a **content index** of the various standard disclosures are to be found in the report. Many companies use such an index to show that their report conforms to the requirements of the GRI Sustainability Reporting Guidelines.

Finally, the report parameters should be where the current policy and practice regarding **assurance** are described (see discussion in section 3).

6.1.4 Governance, Commitments, and Engagement

In this section the *G3 Guidelines* call on companies to report on three areas: governance; commitments to external initiatives; and stakeholder engagement. All three areas will be of particular interest to trade unionists.

The important considerations for **corporate governance** are expected to be reported on, such as the number of independent directors; whether the Chair of the highest governance body (this is usually the Board of Directors) is the same as the CEO; Board and executive compensation; and the processes used for avoiding conflicts of interest. Companies are also supposed to report on mechanisms that would enable employees to make recommendations to the highest governing body and processes for the information and consultation of employees, such as works councils or representation on the highest governing body.

External initiatives refer to organisations, activities, and projects that relate to environmental, economic or social performance in which the company may be involved. This may include partnerships with NGOs or government agencies, and participation in a multi-stakeholder organisations or an industry association. Trade unions should ask companies to report on any CSR initiatives in which they participate. These would comprise both "multi-stakeholder initiatives" which include both companies and other organisations such as NGOs or trade unions, and industry-wide organisations and initiatives established by business organisations. Participation in CSR initiatives is not always a positive thing. Many CSR initiatives are only public relations exercises and may, in fact, be a way for a company to avoid its responsibilities.

Although not specifically mentioned, trade unionists will want to know whether the company is a member of any employer organisations. Most industry associations are related to the promotion of a particular industry, its facilitation (such as organising trade shows) and to providing a common political voice on such issues as regulation and trade. These industry associations can be contrasted with employer organisations which are usually created, among other activities, to participate in social dialogue and sometimes collective bargaining. Sometimes companies undermine the system of industrial relations by not joining relevant employer organisations. In addition to asking about membership in employer organisations, trade unions should ask companies to report on how their own values and commitments, particularly in relation to international standards, are enhanced by their involvement in these organisations.

For companies that market goods produced through labour intensive manufacturing or companies that source through complex supply chains, trade unionists may want to know if the company is a member of any of the multi-stakeholder organisations that have been established to address codes of conduct covering supply chain labour practices.

Also with respect to externally developed initiatives, trade unionists will want to ask a company if it has made any explicit commitments with respect to the OECD Guidelines for Multinational Enterprises or the ILO MNE Declaration.

Stakeholder engagement, according to the *G3*, may include surveys, focus groups, community panels, corporate advisory panels, written communications, management-union structures and other vehicles. This is an excessively broad definition of stakeholder engagement which should really involve dialogue and not just processes designed for a one way flow of information. As a minimum, companies should be reporting on the dialogues they have with interested groups. Although stakeholder engagement does not mean letting stakeholders participate in company decision making, it should mean that the company is engaging stakeholders with the intention of informing its decisions. Stakeholder engagement should not be another name for public relations.

The purpose of stakeholder engagement should be mainly as a way of taking the impact of the company's activities into account with those that are affected by these activities. Companies should not define their social responsibilities or the content of their social responsibility reports on the basis of "stakeholders" that they identify on their own and choose to "engage". Sometimes more important or more genuine stakeholders are avoided. Sometimes companies help create or provide financial support to non-governmental organisations (NGOs) who agree to serve as "stakeholders". For most subjects there will be already established expectations about what constitutes responsible behaviour.

Stakeholder dialogue should also include social dialogue in the ILO meaning of the term. For the ILO, social dialogue includes all types of negotiation, consultation or exchange of information between or among representatives of government, employers and workers on subjects of common interest relating to economic or social issues. Social dialogue can involve tripartite bodies established by the government to develop economic policy. It includes dialogue between management and workers' representatives. This could include various forms of information and consultation with workers' representatives and it could include structures such as works councils. In this definition social dialogue must always include workers' representatives. NGOs are not included in this form of dialogue.

Social dialogue includes collective bargaining. Collective bargaining is easily one of the most important forms of "stakeholder engagement" as workers are always among the most important stakeholders. Companies should make it clear that they do no seek to avoid collective bargaining and that when they are provided with an opportunity to bargain collectively with their workface, they do so in good faith. Trade unions should ask companies to report on whether they engage in collective bargaining, on their relations with trade unions and on their industrial relations policies and practices.

Trade unions need not have collective bargaining relationships in order to be considered as a "stakeholder" in a company. As organisations of workers performing work in specific industries, trade unions are stakeholders to all enterprises in their respective industries. Companies should engage the relevant trade unions in their areas of operations whether or not these trade unions have any collective bargaining relationship with the company. Trade unions representing workers affected by a company's activities should be engaged with by the company.

6.2 Management Approach

The Management Approach disclosure section is an important improvement on the previous version of the *GRI Sustainability Reporting Guidelines*. The two earlier versions of the *GRI Sustainability Guidelines* focused on a set of performance indicators, something that has not disappeared. However, many of the subjects that are grouped into the concept of sustainability are not easily measured or reduced to numbers – non quantifiable information including an understanding of issues, processes and context can be more important. The Management Approach section of a report was added to the *G3 Guidelines* because it was recognised that contextual information was necessary to understand the performance indicators. There is now a Management Approach section for each category of performance indicators. Trade unionists will be especially interested in the Management Approach sections for Labour and for Human Rights. Where performance indicators are examined in Section 6.3 below, specific reference will be made to information that should be reported on in the corresponding Management Approach section.

The *G3 Guidelines* emphasise six areas of importance to the Management Approach: goals and performance; policy; organisational responsibility; training; monitoring and follow-up; and additional contextual information.[9] Prior to each category of performance indicators, the *G3 Guidelines* specify which information should be reported on for that category. As will become evident later, the Management Approach sections provide important opportunities for trade unions to influence sustainability or social responsibility reports. The consideration of individual performance indicators in section 6.3 will make recommendations on inclusion of information in the related Management Approach section. The following consider the six areas of importance for the Management Approach section related to the performance indicators for the labour category.

Goals and performance refer to company wide goals related to labour. Particularly relevant here is the emphasis that the *G3 Guidelines* place on the linkage between an organisation's goals and internationally recognised universal standards of human rights. The *G3 Guidelines* refer to four specific international human rights instruments: the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social, and Cultural Rights, and the

[9] GRI Guidelines, p. 30.

ILO's Declaration on Fundamental Principles and Rights at Work. They also mention the OECD *Guidelines for Multinational Enterprises* (the OECD Guidelines) and the ILO *Tripartite Declaration concerning Multinational Enterprises and Social Policy* (the ILO MNE Declaration) as two instruments which directly address the social responsibilities of business enterprises. Trade unions should ask companies to explicitly state the linkage between all of these instruments and their corporate goals and performance.

Policy or policies that define the company's commitment to certain labour standards must be included in this Management Approach. Similarly to their goals and performance, the policy should be linked to the same instruments mentioned above. This helps resolve any ambiguities in policies in favour of international instruments. Trade unionists should look for policies with respect to trade union recognition and collective bargaining. Policies with respect to requiring that all work be done within an appropriate legal framework would be important. This would mean not using illegitimate labour intermediaries.

Organisational responsibility requires a company to indicate the person who is responsible for implementation of the policy at a senior level. This can be a way for a trade union without a formal relationship with the company to use the company's sustainability to engage the company over its labour practices.

Training and awareness is another area of importance for the Management Approach section for the labour indicators. The G3 says very little as to what this means – only that it is for procedures related to this subject.

Monitoring and follow-up, according to the *G3*, is for "procedures related to monitoring and prevention and corrective actions, including those related to the supply chain". Companies are asked to list any certifications for labour–related performance or certification systems. This is an example of how the *GRI Sustainability Reporting Guidelines* are heavily influenced by CSR practices. For much of the CSR industry labour practices are about the "social auditing" of suppliers' workplaces usually in conjunction with a company's "code of conduct" addressing the labour practices of its suppliers. Trade unionists should be alert to the use of any certification in this area as it could be a means of avoiding trade unions or of promoting the idea that trade unions are not necessary.

A lot of business organisations and CSR enterprises (such as magazines) issue "social responsibility" or "sustainability" awards. Sometimes awards are given to non-union or even anti-union companies for human resource practices.

Additional contextual information is for "other relevant information required to understand organisational performance". This is supposed to include "key successes and shortcomings"; "risks and opportunities"; "changes to systems and structures"; and "strategies and procedures for implementing policies ‘. These subjects provide a lot of scope for trade unions to request that management include specific information the Management Approach disclosure section. Thus when section 6.3 below recommends that a trade union ask for reporting of certain information in the Management Approach section, trade unions can always refer to this requirement to say that the Management Approach should disclose additional contextual information.

6.3 Performance Indicators

This section discusses the performance indicators that the *G3 Guidelines* recommend to companies. The G3 Guidelines use six groups of "indicator categories" to measure company performance on various topics. These categories are: economic, environmental, labour practices, human rights, society, and product responsibility. The last four categories are sometimes referred to as "social" indicators when contrasted with the "economic" and "environmental" indicators. The most relevant groups of indicators for trade unionists would normally be those addressing labour practices and human rights. Of course, the economic, society and environmental indicators can also be relevant for trade unions depending on their specific industry or on trade union objectives.

Beyond the "category" level the performance indicators are grouped according to "aspect". For example the labour category of performance indicators is further divided into the following aspects: "employment"; "labour-management relations"; "occupational health and safety"; "training and education"; and "diversity and equal opportunity".

The performance indicators may well be the most important part of the report as it is through these indicators that the performance of a company will be compared to the performance of other companies. Not all of these indicators will be valid measures of the relevant aspect of corporate responsibility that they are intended to measure. Understanding the validity of these indicators, and what they truly reflect, helps trade unionists to understand the report and to better engage companies in dialogue about the information they report and its relationship to the actual company performance. However, first it is important to understand what is meant by an indicator.

This section carries out two levels of analysis of these indicators. First, indicators are examined for what they purportedly report and what they reflect in reality. This discussion focuses on pointing out what information is being reported and how well this covers the particular issue. It provides advice on what trade unionists can do to improve company reporting. The second level of analysis is a series of reference tables that provide a summary of what trade unionists should ask a company to provide in the Management Approach relative to the indicator. These are meant as quick reference tools and are not a complete summary of the analysis and guidance provided in the text of this guide.

This section should be read bearing in mind the Management Approach section described above. The Management Approach disclosures are intended to provide the underlying context for the indicators in this section. When considering the indicators in this section, this guide will recommend that a trade union address its comments either to the performance indicator or request that management provide more information in the related Management Approach section. It is important to note that not all indicators are necessarily important for trade unionists. Often a trade union may already have the same or more detailed information.

What are indicators and how does GRI use them?

The performance indicators in the *G3 Guidelines* are classified as being either “core” or “additional”. Both kinds are assumed to be relevant for most organisations. The G3 Guidelines states that organisations should report on core indicators unless they are deemed immaterial on the basis of the GRI Reporting Principles. Additional indicators address topics that may be material to some companies and not others.

As previously noted, not all indicators capture the aspects of behaviour that they are intended to measure. Certain subjects such as discrimination are not well reflected by numbers. However, when the performance indicators are considered together with the information disclosed through the accompanying Management Approach section they may be more useful. The idea is that using the two types of information in tandem will result in a clearer picture of the company’s performance on a particular issue.

Many of the indicators will seek data at a regional level. This is not an especially useful or appropriate way to break down information on labour practices. Any data first needs to be collected at the national level because, at least with respect to labour practices, it must be based on the national law and practice of each country. Reporting regional data requires that national data be collected first, and then be aggregated into a common number. However, because national data is based on the legal frameworks of each country, regional and/or global data may not actually mean very much in a report, even where adjustments are made.

With respect to labour practices, national and workplace or site level data will be more useful for trade unionists and they should request this from companies. Where companies would like to report aggregate figures, this can be placed in an appendix but it should not be done at the expense of national or site level data disclosures.

The remainder of this section addresses the performance indicators that are considered most relevant to trade unions. These indicators are presented in the same categorisation and numbering as in the *G3 Guidelines*. Each indicator has an indicator protocol and the discussion of the indicators includes references to the indicator protocol where relevant. As already noted the indicator protocols are grouped by category and are found in an appendix to the *G3 Guidelines*.

Labour Practices and Decent Work Indicators

LA 1 - Total workforce by employment type, employment contract and region

The improvement of living standards through full and secure employment is one of the most significant contributions to society made by companies. Employment creation is a key aspect of an economically sustainable society as well as a key aspect of social responsibility. This indicator seeks to determine whether a company creates jobs and the extent to which these jobs are good jobs. In doing this LA1 has a number of aspects to it.

First, it involves a **quantitative measure of employment** broken down in various ways. This measure alone can tell a trade union a lot about overall employment in a company. However, the measure is not without problems. The indicator calls for a breakdown by region instead of by country. Measuring things at a regional level might be more useful for analysts who want to look at as few measures as possible to make a determination about company employment. However, regional measures can hide changes in employment at country level and thus could hide shifts in employment from one country to another. For example, reporting on total employment in Asia may not tell the reader that total employment in suppliers has fallen in all countries except for one where it has risen immensely. The breakdown of employment into type of employment (permanent, temporary, full-time, part-time etc.) must be based on national law. Moreover, national level data will be more useful to trade unions as they operate at the national or enterprise level.

Second, the indicator requires the company to provide some information about **the nature of the employment** being reported on. The nature of employment is another aspect of this indicator. This refers to full time and part time employees in a company. This distinction is important because it helps draw conclusions about the nature of the jobs that the company is offering. Similarly, the employment contract issue is important since whether the company offers indefinite, fixed-term or temporary contracts is an important indicator of the stability of employment and a likely indicator of the quality of the jobs created.

A useful part of this indicator is that it provides a basis to ask companies for information on the use of independent contractors and self employed individuals. The indicator protocol for LA1 states that "If a substantial portion of the organisation's work is performed by workers who are leally recognised as self-employed, or by individuals other than employees or supervised workers, this should be reported."[10] In some countries, companies treat workers who should be treated as employees (and thus protected by labour laws intended to protect employees) as self-employed, independent contractors. Companies may be able to exclude large portions of their workforce from this indicator. Trade unions should ask companies to report on any employees who have changed status from employees to independent contractors.

A trade union may also wish to ask companies to provide employment data over a number of years so that the company's effect on employment can be better understood.

Please note that another indicator, LA 13, calls for additional information related to the number of employees reported here. LA 13 calls for a breakdown by gender, age and minority groups. It also calls for a breakdown of employees by the companies own system of classification.

[10] G3 Guidelines, p. IP4

LA 2 - Total number and rate of employee turnover by age group, gender, and region

Employee turnover is an indicator that can be related to the stability of employment as well as to the quality of jobs and the conditions of work. Job quality and working conditions are difficult to measure. High rates of employee turnover may be symptoms of lower quality jobs. However, employee turnover will also be affected by the nature and organisation of the industry in which the company operates.

Trade unionists should emphasise that companies must report not only the turnover rates but the reasons for high rates of turnover, to the extent that the company is able to determine this. If a company does not know why turnover is high, perhaps unions should consider recommending that the company report on its approach to managing turnover in the Management Approach section.

The *G3 Guidelines* recognise that "an uneven pattern of turnover by age or gender can indicate incompatibility or potential inequity in the workplace."[11] However inequity can occur on many more levels than simply these categories, particularly in different societal contexts. Thus trade unions should recommend that companies expand the categories to include at least the relevant grounds of discrimination, where that information is available. For example, while the *G3 Guidelines* recommend that the data be broken down by age group, gender and region, this breakdown ignores other categories that could be relevant such as religion, ethic group, national origin, and persons with disabilities.

Trade unions could also ask companies to report various types of information in the Management Approach section. For example, if the company conducts an exit interview for employees or surveys of former employees the information acquired should be reported on.

LA 3 - Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations

This is not a valid indicator, judged against its own stated aim to measure the organisation's "investment in human resources" which is justified because "the quality of benefits for full-time staff is a key factoring retaining employees". A comparison of benefit levels with competitors, comparable employers or with industry averages would be a more valid indicator of the relative investment in human resources than a comparison with the benefits provided to temporary or part-time employees of the same organisation. A high level of benefits for full time employees may be because a significant part of the workforce is not adequately compensated. It may also disguise the excessive use of temporary work and the failure of the organisation to provide secure employment and a livelihood.

[11] G3 Guidelines, p. IP6

The indicator implies that it is justifiable and acceptable to distinguish the levels of benefits afforded to workers exclusively on the basis of whether they have a full-time or part time contract. Despite reference to nine ILO conventions in the protocol to this indicator, the most relevant international labour standards are not mentioned, such as ILO Convention 175, Part-time Work, which was adopted with the express objective of ensuring equality of opportunity and treatment for part-time workers. The preamble of ILO Convention No. 175 notes the relevance for part-time workers of the provisions of the Equal Remuneration Convention, the Discrimination (Employment and Occupation) Convention and the Workers with Family Responsibilities Convention and Recommendation. The principle in ILO Convention No. 175 is that the levels of wages and benefits should not be lower for part-time workers than for full time workers. Of course is it is understood that pecuniary entitlement may be determined in proportion to hours of work or earnings (i.e. pro-rated).

This indicator does not distinguish between part-time and temporary workers and creates an assumption that they should be treated in the same way. The distinction between a part-time worker and a full time worker is in the number of hours of work performed in a unit of time and not in the likely duration of the employment contract. However, the distinction between a full time or part time worker on the one hand and a temporary worker on the other hand is the duration of the employment contract - temporary workers work are understood to work under a contract of limited duration with no guarantee of continuation. The excessive use of temporary work raises social issues concerning security of employment and whether the work being provided could be considered decent work. This indicator does not reflect an essential understanding of the issues involved in either the use of part-time or of temporary work.

LA 4 - Percentage of employees covered by collective bargaining agreements

A major concern for trade unions is whether a company is recognising trade unions and engaging in collective bargaining. This indicator is meant to test a company's recognition of and commitment to industrial relations. Some company are uncomfortable with this indicator and choose to report on the percentage of employees who belong to a trade union instead of the percentage of the workforce covered by collective agreement. This choice is both impossible and inappropriate. A company will not and often should not know everyone who is a member of a trade union, except when check-off systems, most often negotiated, are used to collect subscriptions/ dues. Such information should often be considered private. On the other hand, a genuine collective agreement will involve binding obligations on behalf of the employer. A company would need to have a precise understanding of its obligations under any genuine collective bargaining agreement. A company's human resources department or its legal department should be able to report the exact number of people covered by a collective agreement.

The percentage of employees covered by collective agreements according to *the GRI Guidelines* "is the most direct way to demonstrate an organisation's practices in relation to freedom of association." Certainly the percentage of employees covered by a collective bargaining agreement is the best indicator of a willingness of management to bargain collectively and engage with trade unions. Nevertheless, trade unions will need to exercise caution with respect to the indicator. Management may be involved in bad faith bargaining, use stalling techniques, be opposing certification of other parts of the workforce, be outsourcing work in order to avoid collective bargaining, or any of a number of practices that could call into question a commitment to respect freedom of association and collective bargaining.

Trade unions should ask companies to explain changes in the percentage of the workforce covered by collective bargaining agreement over time, especially any decreases, and carefully scrutinise explanations from the company.

The Management Approach section is potentially valuable with respect to collective bargaining agreements. Companies should be asked to disclose any policies with respect to trade unions and industrial relations. Companies should also be asked to disclose the names of the trade unions with which they bargain.

LA 5 - Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements

Changes in business operations and structures such as plant closures, mass dismissals/ redundancies, contracting out and other changes affect vital interests for workers and their trade unions, namely the preservation of employment. Both the ILO MNE Declaration and the OECD Guidelines include expectations as to how companies should manage these changes. These include:

- √ Providing reasonable notice of changes to workers' representatives and government
- √ Mitigating adverse effect in cooperation with government and workers' representatives
- √ Providing prior notice to a final decision being made.

It is unfortunate that this indicator does not capture the emphasis placed by these international instruments on the importance of mitigating adverse effects and of the role of social dialogue to this end. Trade unions should ask companies to report on the extent that these expectations are respected in the relevant Management Approach section. Companies should also report any related provisions in collective agreements. Whether and how an employer seeks to mitigate the adverse affects of change is a test of the extent that a company assumes responsibility for the people who perform work on its behalf.

One problem with this indicator is the meaning of the word "significant". The protocol for this indicator states that a significant operational change is one that will have "substantial positive or negative consequences for its employees." However, the word "substantial" does not provide any more guidance than the word "significant." Trade unions should seek clarification of how management will interpret "significant" and what this interpretation would mean for deciding to include or exclude information in their report.

LA 6 - Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes

The *G3 Guidelines* tell us that this is one way to measure the extent to which the workforce is actively involved in health and safety. Unfortunately, this is not a reliable indicator of workforce involvement as much will depend on the scope of powers of these committees, their independence, their representativeness, the response of management to their recommendations, and various other factors. The important aspects of worker involvement must be based on the rights of workers to full and accurate information; to freely inquire and to be consulted on all health and safety aspects of their work; to refuse work that poses an imminent and serious danger; to seek outside advice to report health and safety matters to the authorities; and to be free from reprisals for doing any of these things.

While an indicator about involvement can be useful, trade unions should exercise caution with respect to the conclusions the company is allowed to draw based on this information. It is not an indicator of safe and healthy workplaces. The advantage of this indicator is that it can serve as the basis for additional information in the disclosures in the Management Approach section. This information would include how health and safety committees in the workplace are organised; who are members of these committees; what powers they have with respect to the organisation of work; how members of the committees are chosen and the training and resources available to committee members. The report should specify whether all of the rights mentioned in the above paragraph are respected.

LA 7 - Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region

This indicator concerns the most common statistics related to occupational safety and health. It may be useful to recall the trade union experience with these kinds of statistics which is that they are more misleading than revealing. Such figures are often manipulated or even fabricated. Figures on fatalities are relatively reliable because they are more difficult to conceal.

In addition to the essential unreliability of these figures, comparability will be difficult because a common understanding of the terms is not likely. For instance, consider the meaning of the term “lost days” – the protocol for this indicator asks companies to specify whether the term refers to “calendar days” or “scheduled work days” and when the count begins. As with other indicators that report on figures at regional level, trade unions may find it more useful to request this information be broken down by country and/or facility rather than by region.

Trade unions should ask the company to report on the extent to which the system of rules it applies corresponds to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases.

LA 8 - Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases

The workplace is both a means for the transmission of serious diseases and a means for the control of such diseases. This indicator seeks evidence that a company is aware of its responsibilities in this area through the reporting of relevant programmes. The indicator is supposed to "demonstrate the extent to which such issues have been addressed in organisational programmes and the degree to which best practices are applied."[12]

The indicator does not require companies to report on the percentage of workers, workers' families or the community reached by these programmes. Trade unions should ask for information on the subjects included in programmes and on the percentage of workers, their families, and communities covered.

LA 9 - Health and Safety topics covered in formal agreements with trade unions

This is another way of getting at the involvement of workers in health and safety and of the commitment by management to treat health and safety issues seriously. The protocol for this indicator provides a good list of the subjects that might be addressed in a formal agreement: personal protective equipment; joint labour management health and safety committees; the participation of workers' representatives in inspections, audits and investigation; training and education; a complaints mechanism; and the right to refuse unsafe work. The protocol provides as its sole reference ILO Convention 155 on occupational safety and health. This reference includes the "protocol" for this convention, which might be interpreted to mean the ILO Recommendation No. 164 on this subject that was adopted at the same time as Convention 155. In any event these are the proper references for this indicator.

LA 9 calls for the "topics" of agreements. Any list of topics or the number of different "topics" will be of little value without more descriptive information. In addition to the content of the agreements, their coverage is important. Such agreements could cover only a very small proportion of a company's workforce. For example, a global company operating in 20 countries may have collective agreements in only a few countries and within these countries the agreements may only be applicable to a few workplaces. Trade unions should ask companies to report the percentage of their worldwide workforce covered by such agreements, broken down by country and facility.

Trade unionists should consider using this indicator as a basis for requesting the company to provide more information in the Management Approach section. For instance, the company should be asked to explain both the content of agreements and how these agreements fit into the overall company health and safety policy or to any health and

[12] G3 guidelines, p. 13 Indicator Protocols Set LA

safety management systems in place. Other information requested could include the names of the trade union organisations that are parties to any agreements as well as whether the agreements are local, national or international.

LA 10 - Average hours of training per year per employee by employee category

This indicator is meant to demonstrate the scale of the organisation's investment in the skills of its workforce. The number sought is a very general indicator. The international conventions referred to in the protocol for this indicator cover topics such as human resources development; paid educational leave; and health and safety. All three areas defined by these conventions should be addressed separately, and the indicator protocol does not ask companies to do so. Trade unions should ask companies to provide, at least, average hours of training per employee in these three areas. Getting this sort of information would provide a better understanding of the types of investment in workers' skills that the company undertakes.

LA 11 – Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

This is an important subject for both the workers concerned and for society in general. However, as an indicator, it is vague and can be expected to result in some unsatisfactory reporting. The compilation of data recommended by the *G3 Guidelines* in the protocol for this indicator focuses on the topics and purpose of any programmes for training and skills upgrading. However, this information will require additional context to be really useful. Knowing the policies behind these programmes, the portion of the workforce covered, and some measure of the resources committed would be important. Much of this information seems more appropriate to include in the Management Approach section.

This is not an especially useful performance indicator. Performance should be based on some measure of effectiveness – for instance the percentage of laid off employees finding new employment. But these measures would require context to understand and will not be as comparable as they should be. Yet, without information on the effectiveness of its programmes, a company will never know if they are ensuring the employability of employees. Trade unions should ask for information on the number of programme participants.

LA 12 – Percentage of employees receiving regular performance and career development reviews

This indicator is supposed to "indirectly demonstrate how the reporting organisation works to monitor and maintain the skill sets of its employees." [13] However, it should not be taken too seriously. Performance reviews may or may not involve recommendations to employees about skill acquisition. This indicator does not say anything about the quality or value of these reviews. Information concerning management actions to support the

[13] G3 Guidelines, p. IP17

acquisition of skills (LA 11) is more important. These might include time off for training, financial support, and offering courses directly to employees. Reviews will only be useful to the extent that they lead to changes that increase employability such as skills training and development.

LA 13 – Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity

LA 14 - Ratio of basic salary of men to women by employee category

According to the protocol, LA 13 seeks to illustrate diversity in an organisation. The comparison between workforce diversity and management diversity "offer information on equal opportunity". This comparison, then, would seem to be about testing for discrimination in promotion.

There is, of course, a difference between discrimination, which can be a human rights violation, and "diversity", which is considered a desirable quality by management for a variety of reasons such as contributing more perspectives in decision making. Yet the introduction to the Labour Practices Protocols in the GRI Guidelines unhelpfully refers to "a broad social goal of diversity". However, "diversity" is more of a social fact and achieving something in relation to this fact, for instance by accommodating diversity in one way or another, would be more of a "goal". The unacceptable grounds for discrimination are well established including through an ILO Convention, No. 111. However, the meaning of "diversity" is not as commonly understood.

The protocol for this indicator calls for a breakdown of employees by category. In this case, category seems to include both the "level" of employee and the function of the employee (senior management, middle management, administrative, production etc.). The categories of employment are to be based on the company's own classification. The total number of employees is supposed to match the number reported on for LA 1.

LA 14 would seem to provide a good starting point for addressing pay discrimination against women.

Human Rights Indicators

In the second version of *GRI Sustainability Reporting Guidelines,* many of the human rights indicators focused on the existence of a policy or process. This was because the proposed human rights indicators that could be expressed in quantifiable numbers were not valid. During the revision of the first version of the *GRI Sustainability Reporting Guidelines* in 2001 most quantifiable human rights indicators, such as those that called for reporting on the number of specific instances of a violation of a human right, were considered and rejected.

One reason for rejecting these kind of indicators was that, in most situations, violations of human rights are also against the law and it would be unreasonable to ask any organisation to report on crimes in which it was, in one way or another, implicated. Another reason is that thinking behind these kinds of figures is based on the idea of continuous improvement. Although continuous improvement can be a useful way of addressing management processes, it is an unsatisfactory way of addressing violations of human rights. The abuse of using or benefiting from forced labour or child labour cannot be justified because an organisation is benefiting from these abuses less often. For instance, a company cannot make claims to respecting human rights on the basis that it uses fewer slaves or child slaves than in the previous year.

Proposals for such specious indicators emerged again during the revision process that resulted in the *G3 Guidelines*. This is illustrated by the differences between the discrimination indicator which focuses on the total number of incidents and the actions taken with respect to these incidents, and indicators such as freedom of association, child and forced labour. These last three indicators focus on risks of human rights violations. It is probably more reasonable to expect companies to report on risks because reporting actual incidents or violations may have legal implications.

HR 4 – Total number of incidents of discrimination and actions taken

As noted above, there will be good reasons to question the credibility of any figure reported for this indicator. According to the protocol for this indicator "incidents" refer to legal actions, complaints registered with the organisation or competent authorities through a formal process or instances of non compliance identified by the organisation through established procedures according to the G3 guidelines."[14] This definition groups many things that can not be compared or that are not clear. Is a legal action a judicial decision that finds discrimination occurred or does it refer merely to taking something to court? Is it fair to include complaints and other instances of non compliance along with legal actions or judicial decisions?

If a company is reporting complaints, or allegations of discrimination or its own identification of discrimination in the company this may put the company in a difficult position if any of these "incidents" were to be taken to court. It is unreasonable and unrealistic to expect any company to report this. While trade unions should use information companies are reporting in legal actions, however it is unlikely a company will actually report this information. There is little incentive for the company to report on "incidents" especially when they are defined in such a vague manner.

Trade unions should ask companies to report on the steps they take to ensure that discrimination does not take place in the company. This would provide more room for engagement with the company over whether what it is doing is actually enough. Dealing with this in the disclosures of Management Approach section might be more appropriate.

[14] G3 Guidelines, p. IP:HR6.

Trade unions should also ask companies to disclose certain other information in the Management Approach section. For example, this indicator refers to actions taken and the indicator protocol discusses whether the organisation has reviewed the incident, established and implemented a remediation planned various other management issues. As this is difficult to quantify it should be described in the Management Approach section of the report.

HR 5 – Operations identified in which the right to exercise freedom of association or collective bargaining may be at significant risk, and actions taken to support these rights

According to the protocol, this indicator is supposed to "evaluate whether opportunities exist for workers to exercise their rights" and "to reveal actions that have been taken to support these rights across the organisation's range of operations". One problem is that a reporting company may be tempted to report on a number (of operations) but provide insufficient background. This indicator is better than an alternative which called for companies to report on "the number of violations of freedom of association". This indicator is seeking to determine if a company is aware of situations in which this right is inadequately protected. It is a kind of risk assessment. The indicator then calls upon the reporting company to identify actions undertaken in response to this risk. Some of he most important information elicited by this indicator would consist of descriptions of activities and policies that may be more appropriately put in the Management Approach section.

An important aspect of the risk approach is the approach the company takes to dealing with regimes that do not allow free trade unions to operate. A company may try to emphasise its approach to constructive engagement with repressive regimes. This approach is basically an argument that a company's operations in a country do more to expose workers to human rights and democracy than their withdrawal actually could accomplish. While many in the trade union movement would disagree with this approach it is a reality that exists in company reports. Trade unions should ask the company in these situations to explain specifically the steps it takes to promote freedom of association and the progress it is making in this regard. Furthermore, these may be countries where national law does not recognise the right to join free trade unions, as defined in ILO conventions. Trade unions should ask companies to report the countries where they operate where this is the case.

Probably the best measure of a company's approach to freedom of association is whether it seeks in any way to discourage employees from seeking to form or join trade unions or to bargain collectively. For instance employee handbooks could contain policies intended to discourage employees from joining trade unions. The relevant actions will vary depending on the national legal system, however they may include challenges to certifications, not being neutral in a organising drive, support for or encouragement of decertification of trade unions in the workplace, refraining from allowing union representatives onto the premises, and a variety of other actions. Getting companies to report on whether they undertake these activities will be difficult.

Trade unions can also ask companies to report on whether they join local employers' associations and if these employers' associations engage in collective bargaining. It may be useful to recall that the ILO MNE Declaration calls on international companies to join employers' organisations.

HR 6 - Operations identified as having significant risk of incidents of child labour, and measures taken to contribute to the elimination of child labour

HR 7 - Operations identified as having significant risk for incidents of forced or compulsory labour and measures taken to contribute to the elimination of forced or compulsory labour

As with the indicator HR 5 on freedom of association, these two indicators are correct to approach these issues from a risk assessment point of view. For reasons already noted it is unreasonable to expect a company to report on the number of human rights violations. Indeed, should a company report on actual incidents of child labour or forced labour this report should be given to the appropriate law enforcement authorities immediately!

Wherever it is located in the report there are a number of things trade unions should be attentive to, which include:

- Does the company understand that there is a risk of child or forced labour in the sector or countries they operate in?
- What steps does the company take to avoid using child or forced labour?
- Does the company understand they may need to contribute to transition from work to school for former child labourers?
- Does the company understand the sensitivities around managing issues such as the risk of forced or child labour?

Getting a company to answer some of these questions in relation to child and forced labour would add a lot more value to a sustainability report than simply the number of operations identified as having a significant risk of incidents of forced or child labour.

Economic Indicators

In addition to the labour and human rights performance indicators trade unionists will want to give close consideration to the following three economic performance indicators:

EC 3 – Coverage of the organisation's defined benefit plan obligations

This indicator attempts to report on the level of participation in retirement plans, and the percentage of the workforce that is covered by retirement plans. The indicator is slightly misleading because it refers to benefit plans, and retirement plans are only one type of a variety of benefit plans. However, the indicator protocol refers only to retirement plans.

Full coverage refers to whether the pension plan's liabilities are fully covered by the fund that is established. While this is a very important piece of information the percentage of the workforce covered by various types of retirement plans is also very important.

Another issue with this indicator is the emphasis on reports at regional and global levels. Retirement plans are very particular to different countries and comparability of the information will be difficult. Furthermore, country level data is probably more useful to trade unionists than regional or global data.

EC 5 – Significant Financial Assistance received from Government

The principle behind this indicator is to document all forms of government assistance that a company may receive, in terms of tax relief, subsidies, research and development grants, royalty holidays, financial assistance from export credit agencies, and any other types of assistance that may exist. This can be a useful number to obtain, since comparing it with taxes paid would provide an interesting indication of how much the company is actually contributing to society. One thing trade unions should ask is that the financial assistance be reported on a country by country basis and that it indicates programme or category of financial assistance that the amount falls into.

EC 7 – Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation

This indicator is relevant because it can indicate skills transfer by the company to local management, thus building up management expertise in the workforce. This is something which is recommended in both the ILO MNE Declaration and the OECD Guidelines. Thus trade unions should pay attention to whether companies report on this indicator and ask them to do so.

Selected Society Performance Indicators

In addition to the labour and human rights performance indicators trade unionists will want to give close consideration to the following society performance indicators:

SO 4 - Actions taken in response to incidents of corruption

The goal of this indicator is to demonstrate the specific actions taken to limit exposure of the company to instances of corruption. Trade unions should ask companies to report this in the Management Approach section of their report. This is not a useful quantifiable measure. The indicator protocol does contain some measures. For example it asks companies to report the total number of incidents in which employees were dismissed or disciplined for corruptions and incidents when contracts with business partners were not renewed for violations related to corruption. They are also asked to report on any concluded legal cases regarding corrupt practices. While these are measurable they are not actions taken in response to incidents of corruption. The actions that companies take are appropriately discussed in the Management Approach section of the company's report. However, it is unlikely that a company is going to report violations of the law, so it is probably more realistic for companies to report on the general systems and activities they have in place to address corruption.

SO 5 – Public policy positions and participation in public policy development and lobbying

The intention behind this indicator is to allow for a comparison of public policy positions with the company's policies. This is a very useful indicator for trade unions. Companies try to influence government policy and law all the time. A sustainability report is one form of communication a company can make and they are often full of commitments to human rights, sustainability and international conventions. However, companies can take positions in lobbying efforts or testimony before government committees that contradict or may not be consistent with statements and policies referred to in a sustainability report. It will be important for trade unions to require companies to report accurately and completely on public policy positions taken by the company that are distinct from its sustainability report.

Appendix 1 – What Trade Unionists should Request from Companies in the Management Approach Section for the Labour Indicators

G3 Guidelines Requirements	Key points for Trade Unions:
Goals - Organisation goals relevant to labour aspects and linkage to universal standards	**Goals** - Trade Unions should ask companies to commit to respecting the ILO MNE Declaration concerning Multinational Enterprises and Social Policy and the OECD Guidelines for Multinational Enterprises.
Policy - Brief policy describing commitment to labour or human rights aspects	**Policy** - Policy should include references to the ILO MNE Declaration and the OECD Guidelines and ILO Core Conventions (87, 98, 111, 100, 105, 29, 138, and 182). - Clear statement of the policies scope, in particular the extent to which it applies to the supply chain or other business relationships such as joint ventures, licensees and others.
Organisational Responsibility - most senior position with operational responsibility for labour aspects, or - Explanation of how operational responsibility is divided	**Organisational Responsibility** - Name and contact information of person a trade union can go to solve a problem, where they are not getting anywhere with local management.
Training and Awareness - Procedures related to training and raising awareness in relation to the labour aspects	**Training and Awareness** - Description of how trade unions are involved in the procedures related to awareness raising and training. If this is occurring, a trade union should normally already be aware of it.
Monitoring and Follow up - Procedures related to monitoring those corrective and preventive actions including related to the supply chain	**Monitoring and Follow up** - Description of how and which trade unions are involved in monitoring, corrective and preventive activities including at the supply chain level. Do you want trade unions involved in this "monitoring"?
Additional Contextual Information - successes and shortcomings - organisational risks and opportunities - major changes in reporting period - strategies for achieving goals	**Additional Contextual Information** - Trade unions should use this category to request extensive reporting on the management approach to certain labour and human rights indicators discussed in appendix 2 and appendix 3.

Appendix 2 – What information trade unionists should request from companies for the GRI Performance Indicators for Labour

G3 Guideline Indicator	Key points for Trade Unions
LA 1 Total workforce by employment type, employment contract and region	*Management Approach* - No relevant management approach information to request.
	Performance Indicators - Number of independent contractors. - Number of jobs covered by collective bargaining agreements transferred to independent contractor status in the last reporting year. - Instead of total employment by region, total employment figures by country and even specific geographic areas within a country may be more appropriate. If region is a relevant measure it can be included in an appendix.
LA 2 Total Number and rate of employee turnover by age group, gender, and region	*Management Approach* - Trade unions should ask companies to collect information via “exit interviews” when workers leave a company, to cross reference with turn over rates so more accurate conclusions can be drawn regarding the cause of higher turnover rates. - Employee turnover is used in many different contexts and can be indicative of discriminatory practices, job satisfaction, the nature of the industry, dissatisfaction with job, and a variety of other reasons. Trade unions should question companies concerning what conclusions they are seeking to obtain by examining turnover rates.
	Performance Indicator - Turnover rates on a facility by facility basis may be more revealing for a union. A request to management to report this information might reveal potential problem facilities.
LA 3 - Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	*Management Approach* - Trade unions should ask how benefits compare to those provided to comparable employers, competitors or the industry average. - Company policy with respect to remuneration of part-time workers should be requested. - Trade unions should ask about policy with respect to temporary work relationships or contracts. *Performance Indicator* - This performance indicator is not valid.

LA 4 – Percentage of employees covered by Collective bargaining agreements	*Management Approach* - Name the trade unions with which the reporting company bargains. - In cases where a company is not organised, it should report any consultations with trade unions representing workers in the sectors or occupations where the company operates.
	Performance Indicators - Ensure that companies do not use a different indicator such as the number of employees who are trade union members. Companies do not necessarily have this information unless a system of check off is in place.
LA 5 – Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	*Management Approach* - When minimum notice periods are not specified in a collective agreement trade unions should ask management to explain why they do not exist.
	Performance Indicators - Asking the company to report on something the trade union already knows may not be the most useful thing, if the union represents workers in the company. - This indicator may be more useful where there is no collective agreement.
LA 6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	*Management Approach* - A company should report on how individuals are chosen for positions on these committees, their scope of work, powers in the workplace and resources allocated to them. - Trade unions should request clarity about the actual involvement of unions in monitoring and advising. The use of the term "help" is open to a great deal of interpretation.
	Performance Indicator - Trade unions should exercise caution about what conclusions a company draws regarding health and safety performance based on the existence of health and safety committees.
LA 7 – Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	*Management Approach* - Companies should be asked to report the standards by which injuries and occupational diseases are classified.
	Performance Indicators - Regional information may not be particularly useful and companies should be asked to provide this information on a facility by facility basis, so interventions can be more targeted.
LA 8 – Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	*Management Approach* - Companies should be asked to report on how they determine if something is a serious disease. - Trade unions should ask that when reporting on programmes, the specific coverage of the workforce affected by the disease and the coverage of the corresponding programme is reported to demonstrate the effectiveness of it.

	Performance Indicators - The percentage of workers or workers' families in the company covered by these programmes is probably a more precise performance indicator than the existence of programmes.
LA 9 – Health and safety topics covered in formal agreements with trade unions	*Management Approach* - Companies should be asked to report on whether employees have the right to refuse dangerous work and whether trade unions are involved in health and safety management.
	Performance Indicators - There is nothing quantitative about this indicator. Trade unions will already know this information, and it will be covered by agreements where one exists.
LA 10 – Average hours of training per year per employee by employee category	*Management Approach* - There is nothing to report here.
	Performance Indicator - Trade unions should ask that this information be broken down by country and even facility.
LA 11 – Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing careers	*Management Approach* - Most of the information requested by this indicator belongs in the management approach section of the report.
	Performance Indicators - Companies should be asked to disclose the amount of money that is invested in these programmes per employee. This is a quantitative indicator that can be used to get at the main issue behind this indicator.
LA 12 - Percentage of employees receiving regular performance and career development reviews	- There is nothing specific to ask for.
LA 13- Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	*Management Approach* - Trade unions should ask companies to disclose programmes and initiatives to improve gender, age group, and minority group membership on governance bodies. - Companies should be asked whether trade unions are represented on governance bodies.
	Performance Indicator - Trade unions should encourage companies to report more extensive data than simply that of governance bodies. Reporting similar breakdowns for various positions throughout the company would be useful.
LA 14 - Ratio of basic salary of men to women by employee category	*Management Approach* - Companies should be asked for information concerning gender-related programmes or policies.

Appendix 3 – What trade unionists should ask companies to report for selected GRI Performance Indicators for Human Rights

G3 Guideline Indicator	**Key points for Trade Unions**
HR 4 - Total number of incidents of discrimination and actions taken	- This indicator will be difficult for a company to determine. The G3 Guidelines define incidents to include legal actions complaints, registered with the organisations or instances of non compliance identified by the organisation. - Companies should be asked to report on remedial measures. - G3 asks for a lot of information and it is unlikely that a company has space to report everything. Unions need to determine how much they want to ask the company to report.
HR 5 - Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	- Trade unions should ask management to report on the criteria they use to determine risk. - Companies should be asked to report on positive actions they take to support freedom of association.
HR 6 – Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour HR 7 – Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour	- Trade unions should ask companies to report on the measures they take to contribute to the elimination of child labour. These might include support for transitional schooling for child labourers, removing children in the worst forms of child labour from the workplace, hiring parents of child workers and paying a decent wage, and paying taxes which support the educational system.