

## **JBCE response to the G4 Exposure Draft consultation**

### **General Questions**

1. Do you believe that the greater focus on materiality introduced in the G4 Exposure Draft will assist organizations in better defining report content, boundaries and issues so as to contribute to better and more relevant reports (as opposed to longer reports)?

No. Although JBCE (hereafter we) is supportive to GRI's greater focus on materiality, we find that the G4 Exposure Draft leaves more questions than answers. Currently, there are diverse definitions of materiality in reporting space. Given this diversity, the G4 interpretation adds greater confusion about what materiality is. We notice that the G4 Guidelines favor 'different' and 'wider' stakeholder perspectives that are 'reasonably considered relevant' by recognized experts as a principle for identifying and prioritizing material topics.

We believe that corporate reports become a vital communication tool, only when a reporting organization is clear about intended users and their material interests. Does GRI encourage companies to determine the intended users on their own? How does GRI define 'sustainability reports', given the reality of diverse report titles that partly reflect individual corporate value? These fundamental questions remain unanswered. JBCE proposes that GRI clarifies the goal and audience of "sustainability reports" before detailing procedures for report production.

2. Is the G4 Exposure Draft (including the new structure) clear and understandable in terms of what is expected of organizations for the sustainability report to be in accordance with the guidelines?

No. While the guidelines provide a detailed account of how to communicate sufficiently, they fail to explicate a goal of sustainability reports. In particular, we are concerned with G4's excessive focus on performance. Standardized performance indicators such as executive compensation and supply chain management tend to measure the level of procedural commitment to G4. They in turn do not account for unique processes and individual timelines to attain sustainability goals.

Moreover, we wonder if sustainability, which is deeply rooted in an individual company's historical and strategic context, should and can translate to a pre-set list of indicators drawn from generic stakeholder expectations. Given the benchmarking nature of GRI reporting framework, we raise concerns over an unintended effect of box-ticking exercises by reporting organizations.

JBCE proposes that G4 introduces flexibility for reporting organizations to define content and boundaries as well as [how] to present the reference to G4 Guidelines. This flexibility, we believe is instrumental to reporting organizations' learning and progress.

3. Does the G4 Exposure Draft clearly explain the interaction between the guidelines, the technical protocols and the sector supplements?

No. Given the rule-book nature of the Draft, JBCE proposes active use of drawings and figures to help clarify this interaction. This exercise, we believe, will help Guideline users to understand how GRI G4 makes a linkage between reporting processes and performance disclosure. At present, the human rights issue is discussed as a management process in the Reporting Guidelines (Part 1), while the Disclosure Items (Part 2) and the Indicator Protocols (Part 3) emphasize performance disclosure.

4. Do you think that the G4 Guidelines can apply to organizations of various sizes in your region?

No. While the G4 Guidelines can apply to organizations of any size, they should ensure flexibility in reporting processes and disclosure items. This will reflect the reality faced by organisations in terms of different cost and resource availability.

5. Do you believe that the G4 Guidelines will drive [down] the cost effective preparation of a sustainability report for all organizations?

No. The G4 Guidelines may drive up the cost of producing sustainability reports. The Guidelines provide a one-size-fits-all list of indicators, some of which in our view are not fit for purpose because they do not reflect what is of value to all companies. Therefore, some companies will end up filling in indicators which are not material to them for the sake of complying with G4. We also wonder if disclosure in some indicators actually induce better decisions, and hence solutions, on societal issues.

6. Have the proposed G4 Guidelines achieved a proper balance between the economic, governance, environmental and social indicators?

No. We believe that there is no such 'proper balance' among economic, governance, environmental and social indicators. The balance should be company specific and determined by reporting companies themselves. This last view relates to our questions raised in our response to Question 1: what is the goal of sustainability reports and to whom are such reports addressed?