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APPLICATION OF GLOBAL REPORTING INITIATIVE (GRI)
IN THE SUSTAINABILITY REPORTING
OF FINANCIAL SERVICES

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ABSTRACT

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Sustainability reporting refers to the process in which an organization gives an account of issues related to corporate sustainability over a particular reporting period. The report is meant for both internal and external use. Sustainability reporting gives information about the organization's interactions with its social and ecological environment. The Global Reporting Initiative (GRI) has pioneered the development of the world's most widely used sustainability reporting framework. GRI Reporting Framework is designed for use by organizations of any size, sector or location.

The importance of the research is due to the emerging trend and development of sustainability reporting. Moreover, GRI's rapid rise to the most popular sustainability reporting tool makes it an interesting target worth of study. The present global economic state adds more current importance for the study. As the economic crisis deepens, observers are watching closely to see whether companies will stick to their sustainability commitments. Financial services, often claimed as the catalyst for the current financial crisis, are under many watchful and critical eyes.

The purpose of the research is to find out how financial services report sustainability issues according to GRI. The research problem includes both a theoretical and an empirical perspective. GRI and its applications are covered in the sense of how financial services should report sustainability according to GRI. On the other hand, the research is trying to find out how financial services are applying GRI in their sustainability reporting. Hermeneutics and content analysis are the main research methods used in the study in order to find answers to the research problem. A comprehensive case study is used as a tool to find specific information about GRI based sustainability reports of financial services.

The key findings of the research cover many aspects of GRI based reporting by financial services. During the ten year existence of GRI, the number of reporting financial services has grown rapidly. GRI based reporting amongst financial services is a global phenomenon with companies reporting from every continent of the globe. Different kind of financial services are reporting differently: the extent and focus of reporting varies between organizations of different size and geographical location. The application levels system is causing confusion for both the reporting organization and to the report user.

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1 INTRODUCTION

1.1 Background

Corporate social responsibility reporting (or sustainability reporting) refers to the process in which an organization gives an account of issues related to corporate social responsibility and corporate sustainability over a particular reporting period. The report is meant for both internal and external use¹. Thus sustainability reporting can be seen as a strategic management tool and as a communication process between a company and its stakeholders².

Sustainability reporting gives information about the organization's interactions with its social and ecological environment. The report should clearly state what the companies' carried out efforts are in a particular field of responsibility, and how these efforts affect overall sustainable development and how these effects are planned to be treated. The most important aspects of sustainability reporting are accountability and transparency. They have to consider both; what is being reported, and in which ways the reporting has been done.³

As a way of communication, sustainability reporting is much like traditional financial statement reporting. However, financial accounting (and reporting) traditionally deals with financial, monetary unit measure whereas sustainability accounting and reporting concentrate on the use of non-financial performance indicators to measure the environmental, social and economical dimensions of sustainability.⁴

The Global Reporting Initiative (GRI) has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous

¹ Rohweder 2004, 211

² Niskala & Tarna 2003, 82

³ Rohweder 2004

⁴ Lamberton 2005

improvement and application worldwide. The framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. GRI Reporting Framework is designed for use by organizations of any size, sector or location. It takes into account the practical considerations faced by a diverse range of organizations – from small enterprises to those with extensive and geographically dispersed operations.⁵

1.2 Purpose of the study

A research aim is concerned with the *why* and the *what*. In other words, why the study is been done and what is hoped to be produced by doing it. An aim is concerned with the conceptual level of the research, the overall purpose, which is not necessarily time and context bound. It is related to wider research question and any intended research outputs. The research aim is the answer to the question “What is the purpose of the research?”⁶

Before attacking the research question, it is important to mention the prime exclusions of the research. After all, a key requirement for all research is the clear, concise and thorough definition of the problem for which the research will be carried out⁷. The main exclusion of the research is between sustainability and sustainability reporting. The approach of this research is sustainability reporting orientated. Therefore, sustainability and its theoretical context are not going to be discussed in the research. A division between sustainability reporting and GRI based sustainability reporting is the other important exclusion of the research. The focus of the study lies in GRI based sustainability reporting; thereby, the theoretical foundation behind sustainability reporting in general is left out from the research. Instead, the research is seeking to be as thorough as possible in covering the theoretical framework behind GRI. Although GRI is designed to cover organizations regardless of size, sector or location, and its Framework is applicable to every organization in the same way, this research concentrates on financial services.

⁵ Homepage of Global Reporting Initiative
<<http://www.globalreporting.org/AboutGRI/WhatWeDo/>>, 18.1.2009

⁶ Pickard 2007, 45

⁷ McNabb 2008, 81

The main research question of the study is:

How financial services report sustainability issues according to GRI?

The prime research question includes both a theoretical and an empirical perspective. First, by asking *how*, the research tries to answer to the question in theoretical context. In this viewpoint, GRI and its applications are covered in the sense of how financial services should report sustainability according to GRI. Second, by asking *how*, the research aims to answer to the question also in empirical context. In this case, the research is trying to find out how financial services are applying GRI in their sustainability reporting.

Virtually every problem or major question can be broken down into a number of component parts⁸. The research question of the study holds many areas of interest that are going to be examined. How the Reporting Framework of GRI has evolved during GRI's existence? How many financial services are reporting according to GRI? How different types of financial services are reporting according to GRI? How financial services from different geographical areas are reporting? How each aspect of GRI based sustainability reporting is covered by financial services? How thoroughly is the reporting been done?

The importance of the research is due to the emerging trend and development of sustainability reporting. Moreover, GRI's rapid rise to the most popular sustainability reporting tool makes it an interesting target worth of study. The present global economic state adds more current importance for the study. As the economic crisis deepens, observers are watching closely to see whether companies will stick to their sustainability commitments⁹. Financial services, often claimed as the catalyst for the current financial crisis, are under many watchful and yet critical eyes.

⁸ Williamson 2002, 49

⁹ Homepage of Global Reporting Initiative, Guest Editor Letter
<<http://www.globalreporting.org/NewsEventsPress/LatestNews/2009/NewsJuly09GuestEditorLetter.htm>
>, 25.7.2009

1.3 Research methodology and methods

This research follows the paradigm of interpretivism as the main approach to research. From an interpretive perspective, human actions are the results of external influences – these actions have both intentions and reflections and take place within a structure of rules which binds the participants. In an interpretive perspective, the task of a researcher goes beyond measurement to developing an understanding of the situation. In the sense of basic level of research, the nature of this research is more close to explanation than compared, for example, to description, classification or prediction. Explanation can be regarded as an attempt to make sense of observations by explaining the relationships observed and attributing causality based on some appropriate theory.¹⁰

Interpretivists use principally inductive reasoning and collect qualitative data¹¹. Qualitative data refers to some collection of words, symbols, pictures or other nonnumeric records or materials that are collected by a researcher and have relevance to the target under study. The uses for these data go beyond simple description of events and phenomena; rather, they are used for creating understanding, subjective interpretation and critical analysis.¹²

Although the main approach of the research is based on interpretivism, the study has quantitative elements as well. The research includes parts of historical comparison, which often uses combined quantitative and qualitative approaches. The use of either quantitative or qualitative approaches, or both, is possible according to the research problem. The use of different kinds of thinking involved in positivist and interpretivist approaches make full understanding of the topics more likely.¹³

Both the theoretical and empirical part of the study use hermeneutics as a research technique. Hermeneutics refers to an approach that was originally devised in relation to the understanding or interpretation of texts and theoretical texts in particular. Hermeneutics is seen by its modern advocates as a strategy that has potential in relation

¹⁰ Smith 2003, 41

¹¹ Williamson 2002, 37

¹² McNabb 2008, 273

¹³ Williamson 2002, 34

both to texts as documents and to social actions. What is crucial is the linkage that is made between understanding the text from the point of view of the author and the social and historical context of its productions. Hermeneutics is regarded as a qualitative research technique.¹⁴

As another research technique for the empirical part of the study, content analysis is widely used in the research. Content analysis can be seen as a part of archival research and is defined as a method that uses a set of procedures to make valid inferences from texts¹⁵. Content analysis is the quantitative component of document analysis. The process of content analysis involves breaking the written material down into researcher-selected categories or units. The measurement of different categories and units in the text make statistical analysis of the data possible.¹⁶

Case study is a research method used as one part of the research. A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context¹⁷. The nature of the case study in the research is instrumental. Instrumental case studies are used when the researcher wants to gain greater insight to a specific issue. In this particular situation, the case study is expected to contribute to a greater understanding of a topic of interest. The subject case itself is of secondary interest; examining the case improves understanding of the phenomenon, not the case.¹⁸

Since GRI and its Guidelines are a rather recent development trend in the sustainability reporting genre, literature sources covering GRI rest in very few. Therefore, different kinds of publications by GRI are a major source of theory in the research. GRI's webpage also provides numerical data for some of the empirical part of the study. The data collection for the case study is done by searching material from the case organization's webpages. Overall, due to the lack of literature and especially critical coverage of GRI, the research has a strong empirical focus.

¹⁴ Bryman & Bell 2003, 421-422

¹⁵ Smith 2003, 157

¹⁶ McNabb 2008, 12

¹⁷ Pickard 2007, 85

¹⁸ McNabb 2008, 289

1.4 Progress of the study

Excluding introduction and conclusion from the study, the report is divided into four different sections with theoretical and empirical focuses. The main idea behind the division is the logical presentation and movement from theory-based information towards real-life phenomenon within GRI context. Each of the four key sections of the study covers an entity that builds theoretical and empirical knowledge about GRI in a continuing pattern.

The purpose of the first section is to find out what is Global Reporting Initiative (GRI) as an institution and as a phenomenon. In doing so, history and background of GRI are covered in great detail as well as the purpose and objective of GRI. The first section also includes a presentation of GRI reporting principles that serves as a transition to the second section of the study.

The second section grasps at the sustainability reporting guidelines. The section works as the main theoretical frame for the later following empirical sections. Report content, different standard disclosures, Financial Services Sector Supplement, application levels system and assurance are some of the key aspects of GRI and the second section of the study.

The final two sections are dedicated for the empirical part of the study. The third section discusses the role of financial services in the sustainability reporting spectrum. The relationship between financial services and GRI is investigated with various statistical analyses. The case study, covering almost twenty pages of the report, formulates the fourth section of the study. GRI based sustainability reporting is examined through case companies in order to find more specific information about how financial services report sustainability using GRI. In the end of the report, conclusion wraps up the key findings of the study and reflects to the future of GRI based sustainability reporting.

2 GLOBAL REPORTING INITIATIVE (GRI)

2.1 History and background of GRI

GRI celebrated its tenth anniversary in 2007. Since its initial launching in 1997 GRI has developed from a rather broad idea of sustainability reporting to a thriving international network that involves organizations in more than 70 countries. Ten years after its birth, over 1000 organizations self declare the use of GRI Guidelines in their sustainability reports. The growth of the requisition of GRI Guidelines is a reflection of increasing interest on sustainability reporting, which has evolved from an exceptional reporting form to an essential management and communications tool for many businesses and a valuable resource for their stakeholders.¹⁹

The roots of GRI can be located in Boston, Massachusetts. Two non-profit organizations, CERES (Coalition for Environmentally Responsible Economies) and the Tellus Institute, pioneered a framework for environmental reporting in the early 1990's. The aim was to create an accountability mechanism to ensure companies followed the CERES Principles for responsible environmental conduct. However, North American markets seemed unwilling and uninterested in trying the new CERES Principles. Therefore, the co-founder and former acting chief executive of GRI, Dr. Allen White, concluded that "it was time to look beyond the borders of the US for markets to those that were more receptive to the idea of a generally accepted framework...in short it was time for a Global Reporting Initiative (GRI)".⁶

The development of GRI Guidelines achieved important steps when CERES made a partnership with UNEP (United Nations Environment Program) in 1997. The goal was to establish a common ground on which to build a consistent reporting framework. In other words, there was an aim to connect and unite different reporting standards and

¹⁹ Homepage of Global Reporting Initiative, Sustainability Reporting 10 Years On <http://www.globalreporting.org/NR/rdonlyres/430EBB4E-9AAD-4CA1-9478-FBE7862F5C23/0/Sustainability_Reporting_10years.pdf>, 18.1.2009

guidelines in order to clarify the whole system of sustainability reporting.²⁰ The partnership with UNEP also guaranteed a global platform for GRI application²¹.

The first exposure draft of the GRI Guidelines was exposed in March 1999 to a group of stakeholders interested in sustainability reporting. A total of 21 companies, representing diverse countries and multiple industry sectors, tested and provided comments on the draft guidelines. In addition, experts representing human rights, accountancy, government, business and labor organizations provided valuable comments in the exposure draft process.²²

The consultation process resulted in the release of the first ever GRI Sustainability Reporting Guidelines in June 2000. GRI organized worldwide outreach efforts by holding promotional events in South America, North America, Australia, Europe, South Asia and Japan. The first signs of GRI adaptation were seen as 50 organizations released their sustainability reports based on the GRI Guidelines. A year later, the number of organizations using GRI Guidelines had increased to 80. CERES had also decided to separate GRI as an independent institution. To secure its continuous development, GRI had engaged 30 companies in a structured feedback process, which was to result in recommendations for future updates of GRI Guidelines.²³

During 2001, GRI Guidelines were developed especially on the area of different key ratios and parameters. The constant efforts to improve the previous GRI Guidelines resulted in the second iteration of Sustainable Reporting Guidelines that was released in September 2002 in Johannesburg, South Africa, at the World Summit for Sustainable Development. Up to this point, tens of leading companies in different business sectors all over the world had chosen GRI Guidelines as their sustainability reporting tool. The development process of GRI Guidelines had involved hundreds of organizations and thousands of individuals. Consequently, GRI received recognition from, for example, the European Union that highlighted the importance of GRI and its possible application

²⁰ Niskala & Tarna 2003, 89

²¹ Homepage of Global Reporting Initiative, Our History
<<http://www.globalreporting.org/AboutGRI/WhatWeDo/OurHistory/>>, 18.1.2009

²² Holliday, Schmidheiny & Watts 2002

²³ Homepage of Global Reporting Initiative, Our History
<<http://www.globalreporting.org/AboutGRI/WhatWeDo/OurHistory/>>, 18.1.2009

to the measuring, reporting and controlling of corporate social responsibility within the European Union.²⁴

In the release phase of the second GRI Guidelines, GRI relocated to Amsterdam and incorporated as an independent, non-profit organization in the Netherlands²⁵. At the same time, the Stakeholder Council (SC) was formed. The Council is the GRI's formal stakeholder policy forum, similar to a parliament, that debates and deliberates key strategic and policy issues.²⁶ Also, the beginning of 2003 marked the launching of Organizational Stakeholder (OS) membership program. OS plays a major part as a central source of legitimacy for GRI by sustaining GRI as an open, democratic and global network. The stakeholder members also influence and support the continuous development of GRI Guidelines.²⁷

During the years 2003-2005, GRI succeeded in attracting more and more organizations to perform their sustainability reporting according to GRI Guidelines. In the end of 2005, over 750 organizations released their sustainability reports based on the Guidelines. The great number of organizations and their vast scale of different industries and business sectors was the catalyst for the creation of Sector Supplements. The Sector Supplements are custom-built to reflect unique social and environmental issues and corresponding stakeholder needs in different industry sectors²⁸. The first Sector Supplements were released in 2003 for the business industry of telecommunications. It was followed by Sector Supplements in the fields of financial services, mining and metals, and logistics and transportation.

The third generation GRI Guidelines called G3 Guidelines was released in 2006. G3 Guidelines is the present and latest form of Guidelines that is adopted and followed in the CSR reporting of the organizations that are using GRI Guidelines. The number of

²⁴ Niskala & Tarna 2003, 90

²⁵ Homepage of Global Reporting Initiative, Sustainability Reporting 10 Years On <http://www.globalreporting.org/NR/rdonlyres/430EBB4E-9AAD-4CA1-9478-FBE7862F5C23/0/Sustainability_Reporting_10years.pdf>, 18.1.2009

²⁶ Homepage of Global Reporting Initiative, Stakeholder Council <<http://www.globalreporting.org/AboutGRI/WhoWeAre/StakeholderCouncil/>>, 18.1.2009

²⁷ Homepage of Global Reporting Initiative, Organizational Stakeholders <<http://www.globalreporting.org/AboutGRI/WhoWeAre/OrganizationalStakeholders/>>, 18.1.2009

²⁸ Homepage of KPMG, International Survey of Corporate Responsibility Reporting 2008 <<http://www.kpmg.fi/Binary.aspx?Section=2353&Item=4971>>, 18.1.2009

organizations exercising G3 Guidelines has risen close to a considerable milestone of 1000 organizations.²⁹ The amount of Sector Supplements has increased significantly, and by the end of 2008, there was 12 Sector Supplements representing the most common industries of business³⁰.

Sustainability reporting has evolved from a marginal practice to a mainstream management and communications tool over the last ten years. The Global Reporting Initiative has been a pacesetter for the whole field of sustainability reporting. What started off with just a few pilot organizations has eventually developed into a worldwide generally accepted framework for sustainability reporting. Yet the GRI is spreading even further and attracting different organizations from various industries that want to be a part of the most developed sustainability reporting network. With an initial focus on the needs of report preparers, the strategy is now also turning to address issues faced by report users. In order to establish a more common basis of knowledge, GRI has also moved to develop and disseminate learning tools, training courses and services for both report preparers and users.

2.2 Purpose and objective of GRI

The purpose of Global Reporting Initiative can be defined by taking a look at GRI's official mission statement. The overall aim of GRI is to help advance the sustainability agenda in the world. GRI's mission is to create conditions for the transparent and reliable exchange of sustainability information through the development and continuous improvement of its Sustainability Reporting Framework. Systematic dialogue with relevant stakeholders is the development basis for evolving and improving good reporting on key sustainable issues. The final part of GRI's mission is the purpose to build capacity for report makers and report readers to use the Framework.

GRI's vision is very progress oriented. The vision of GRI states a desire for disclosures on economic, environmental and social performance to become as commonplace and

²⁹ Homepage of Global Reporting Initiative, Our History
<<http://www.globalreporting.org/AboutGRI/WhatWeDo/OurHistory/>>, 18.1.2009

³⁰ Homepage of Global Reporting Initiative, Sector Supplements
<<http://www.globalreporting.org/ReportingFramework/SectorSupplements/>>, 18.1.2009

comparable as traditional financial reporting – and also as important to organizational success. GRI is trying to accomplish its vision by continually developing, improving and building capacity around the use of its Sustainable Reporting Framework.³¹ GRI is trying to achieve general acceptance all over the world in reporting, communicating and presenting corporate social responsibility issues³².

The strategy of GRI is to engage diverse expert stakeholders from around the world. The stakeholders are needed to capture changes in the collective understanding and appreciation of sustainability matters, to reflect diversity, and to draw on new science. GRI's strategy tries to resolve the biggest difficulties in the organization's actions. The boundaries of the GRI are difficult to define, since the stakeholders' participation in the GRI network is voluntary, dynamic and mainly informal. In addition, sustainable reporting and the application of GRI Reporting Framework are voluntary with no formal obligation to inform GRI. As a consequence, there is a great challenge for GRI to find ways to measure the tangible and intangible effects of the use of and the activities around GRI in the implementation of sustainable solutions.³³

GRI can be seen to have three general objectives. First, the aim is to develop sustainability reporting to a correspondent level with traditional financial reporting. Second, the goal is to promote the application of Reporting Principles, Reporting Indicators and Sector Supplements to all kinds of organizations. Third, GRI is constantly seeking ways to develop current sustainability reporting practices and to operate as an expert in delivering specific instructions to highly complex sustainability reporting issues.

If an organization decides to apply GRI Reporting Framework in its sustainability reporting, the application should be regarded as a long-term development and learning process. Still, choosing GRI as the main sustainability reporting tool might bring several benefits in the future. Application of the GRI Reporting Framework produces reliable

³¹ Homepage of Global Reporting Initiative, Sustainability Report 2004-2007
<http://www.globalreporting.org/NR/rdonlyres/43127B6A-3816-406C-897F-AC572E0EAB2D/0/GRI_SR_20042007.pdf>

³² Niskala & Tarna 2003, 92

³³ Homepage of Global Reporting Initiative, Sustainability Report 2004-2007
<http://www.globalreporting.org/NR/rdonlyres/43127B6A-3816-406C-897F-AC572E0EAB2D/0/GRI_SR_20042007.pdf>

and useful information to different stakeholders, which can be seen as a basis for future development of the whole stakeholder management. GRI Framework provides a well-established and uniform model for sustainable reporting that an organization can use to compare and analyze results year by year. Also, a higher degree of comparability can be achieved with GRI. Most importantly, GRI produces information to the decision makers at all levels of an organization.³⁴

2.3 GRI reporting principles

The reporting principles of GRI, or so-called quality measurements, are meant to guarantee that the GRI based sustainability reports give a truthful view of the economical, social and environmental status of the reporting organization. The principles are also hoped to increase the timely comparability between different organizations. The compliance of the GRI principles is believed to improve the reporting in a way that encourages organizations to report on matters that the stakeholders find most interesting.³⁵ The reporting principles form a basis for the actual reporting, determine the content and presentation of the reporting, and ensure quality and reliability of the information reported³⁶.

GRI identifies 11 reporting principles that are deemed essential to produce a balanced and reasonable account of an organization's economic, social and environmental performance. Transparency is the dominant principle throughout the whole GRI reporting process and a value that underlies all aspects of sustainability reporting. Transparency covers full disclosure of processes, procedures and assumptions in the report preparation. Like transparency, inclusiveness has to be adopted in the whole GRI reporting process – the reporting organization should systematically engage its stakeholders to help focus and continually enhance the quality of its reports.³⁷ GRI

³⁴ Niskala & Tarna 2003, 93

³⁵ Kujala & Kuvaja 2002, 180

³⁶ Niskala & Tarna 2003, 109

³⁷ Homepage of AngloGold Ashanti, GRI reporting principles

<http://www.anglogoldashanti.com/subwebs/InformationForInvestors/reporttosociety04/about_report/gri_reporting.htm>, 18.1.2009

defines stakeholders as entities or individuals that can be reasonably expected to be significantly affected by the organization's activities, products or services.³⁸

Materiality, completeness and sustainability context are principles that deal with the question what to report. According to materiality principle, the reported information should cover topics that reflect the organization's significant economic, environmental and social impacts. Materiality is the threshold at which an issue becomes sufficiently important that it should be reported. The completeness principle considers the boundaries, scope and time period of the reported information. Placing the sustainability performance to a larger context of ecological and social limits or constraints is part of the sustainability context principle. Organizations operating in a diverse range of locations, sizes and sectors are required to consider how to best frame their overall organizational performance in the broader context of sustainability.

Relevance, accuracy, neutrality and comparability principles cover the quality and reliability of the reported information. Relevance is the degree of importance assigned to a particular aspect or indicator that determines which information becomes significant enough to be reported on. The accuracy principle refers to achieving the degree of exactness and low margin of error in reported information. It is noted that certain decisions require higher level of accuracy in reported information than others. According to neutrality, reports should avoid bias in selection and presentation of information. Consistency in the boundary and scope of the reports are included in the comparability principle. Comparability principle should enable stakeholders to analyze changes in the organization's performance over time and support analysis to other relative organizations.

The two final principles, clarity and timeliness, contains norms about the availability of the reported information. According to clarity, the reporting organization should make sure that the given information is available and responsive to the maximum amount of users. Therefore, the information should be represented in a manner that is understandable and accessible to all the stakeholders using the report. The timeliness

³⁸ Homepage of Global Reporting Initiative, G3 Guidelines
<http://www.globalreporting.org/NR/rdonlyres/ED9E9B36-AB54-4DE1-BFF2-5F735235CA44/0/G3_GuidelinesENU.pdf>, 16.5.2009

principle demands a regular schedule for reporting in order for the information to be available in time for stakeholders to make informed decisions. The timing of release refers both to the regularity of reporting as well as its proximity to the actual events described in the report.³⁹

The GRI reporting principles can be illustrated with the following diagram (Figure 1):

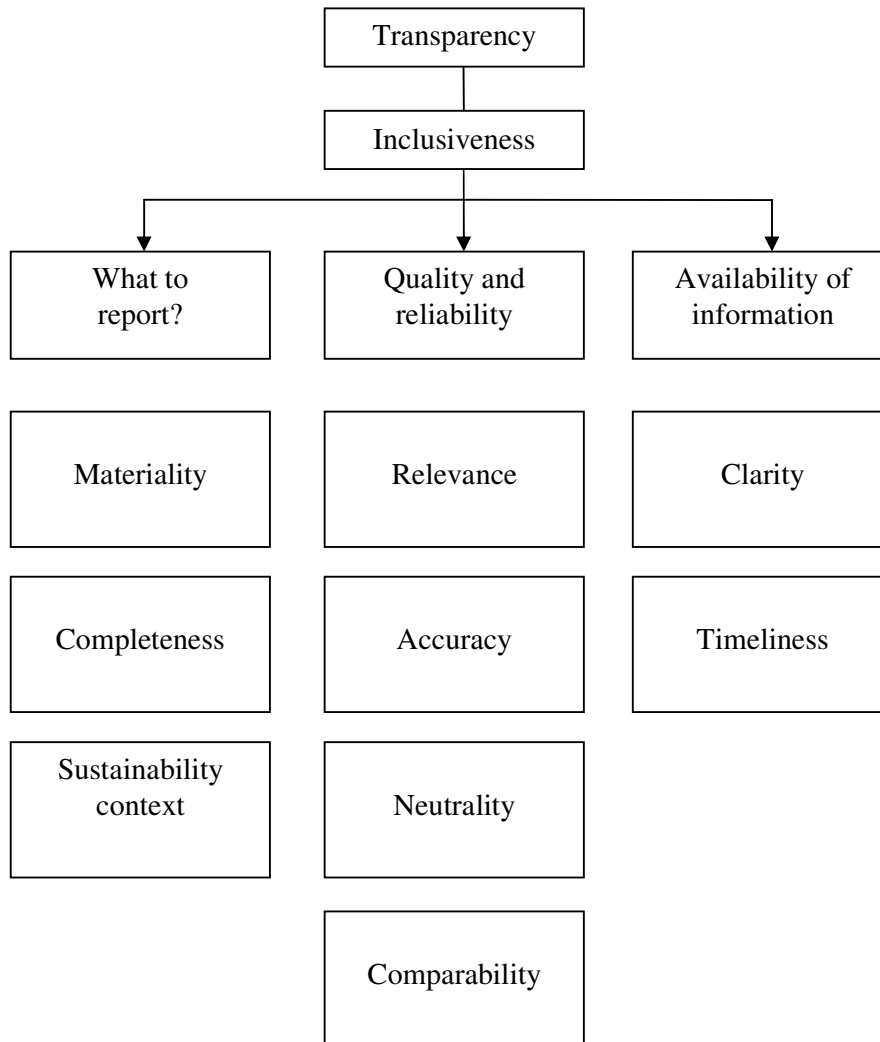


Figure 1 GRI reporting principles.

³⁹ Homepage of AngloGold Ashanti, GRI reporting principles
<http://www.anglogoldashanti.com/subwebs/InformationForInvestors/reporttosociety04/about_report/gri_reporting.htm>

GRI has received some criticism over its reporting principles. Some of the criticism is based on the demand of clearer guidance with regards to the inter-relationship between the different principles and how each principle applies to the reporting indicators. ACCA argues that potential and probable conflicts between the different principles have not been covered adequately. There is also confusion about the division between principles relating to content of reporting and to quality of reporting – in many cases the two groups are related and relevant to each other.⁴⁰

⁴⁰ Homepage of the Association of Chartered Certified Accountants (ACCA)
<http://www.accaglobal.com/publicinterest/activities/policy_papers/archive/environment/cdr598>, 16.5.2009

3 SUSTAINABILITY REPORTING GUIDELINES

The Sustainability Reporting Guidelines (G3 Guidelines, later Guidelines) consist of Reporting Principles, Reporting Guidance and Standard Disclosures. The three elements are considered to be equal in weight and importance. The Reporting Principles were already discussed in chapter two as a part of the presentation of the Global Reporting Initiative.

3.1 Report content and boundary define

Selection of the use of the Guidelines requires a clear determination about the content that the report should cover. In order to achieve a balanced and reasonable presentation of the organization's sustainable performance, the organization needs to consider both the organization's purpose and experience, and the reasonable expectations and interests of the organization's stakeholders. In other words, the content of the report depends on the organization itself and its stakeholders.

According to the Guidelines, the relevant topics that form the content of the report should be examined by going through some of the GRI Reporting Principles. The principles of materiality, stakeholder inclusiveness and sustainability context are in a key role in identifying appropriate content areas. In general, the Guidelines encourage organizations to use the principles to prioritize selected topics and to decide which themes should be emphasized.

Defining the boundary of the report is parallel to defining the content of the report. By defining the boundary, organization must determine which entities' performance will be represented in the report. The Guidelines state that the report should include entities over which the reporting organization exercises control or significant influence. Control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities, whereas significant influence is seen as the

power to participate in the financial and operating policy decisions of the entity, but not the power to control the particular policies.

The Guidelines highlight that not all the entities within the reporting boundary have to be reported on the same manner – in fact, the approach to reporting on an entity should depend on a combination of the reporting organization’s control or influence over the entity. The boundary of the report should rather correspond and relate to the nature of the organization’s operational performance, management performance or descriptive information. Determining the significance of an entity depends greatly on the scale of its sustainable impacts. Entities with considerable impacts typically generate the greatest risk or opportunity for an organization and its stakeholders. Therefore, the particular entities should be perceived as being accountable or responsible as a part of the whole organization.⁴¹

3.2 Standard disclosures

The second part of the Guidelines is devoted to so-called standard disclosures. Standard disclosures are a result of identifying information that is relevant to most organizations and of interest to most stakeholders. Hence, the information covered in the standard disclosures section of the Guidelines should appear in a sustainability report.

Standard disclosures are composed of three types of disclosures. Strategy and profile disclosures set the overall context for decoding organizational performance in respect of the organization’s strategy, profile and governance. The purpose of management approach disclosures is to cover how an organization addresses a given set of topics in order to provide context for understanding performance in a specific area. The third standard disclosure deals with performance indicators that produce comparable information on the economic, environmental and social performance of the organization.⁴²

⁴¹ Homepage of Global Reporting Initiative, G3 Guidelines
<http://www.globalreporting.org/NR/rdonlyres/ED9E9B36-AB54-4DE1-BFF2-5F735235CA44/0/G3_GuidelinesENU.pdf>, 16.5.2009

⁴² Homepage of Global Reporting Initiative, G3 Guidelines
<http://www.globalreporting.org/NR/rdonlyres/ED9E9B36-AB54-4DE1-BFF2-5F735235CA44/0/G3_GuidelinesENU.pdf>, 16.5.2009

The role of the standard disclosures can be illustrated with the following diagram (Figure 2):

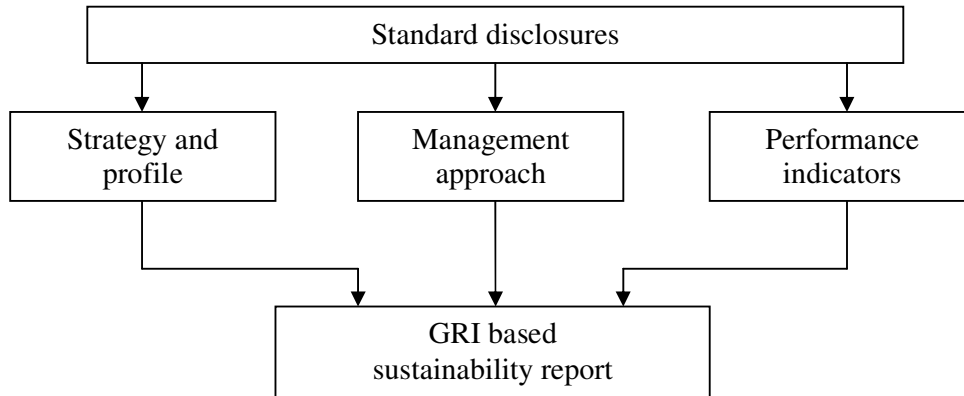


Figure 2 Standard disclosures.

3.2.1 Strategy and profile

The first part of the standard disclosures attempts to provide a strategic view of the organization's relationship to sustainability. The purpose of the strategy and profile disclosure is to provide context for the subsequent and more detailed reporting about sustainability topics. The Guidelines point out that the strategy and profile section is intended to produce insights on strategic topics rather than just simply summarize the contents of the whole sustainability report.

The GRI based sustainability report should start by an introduction of organizational profile. Some of the compulsory information required is the name of the organization, primary brands, products and services, and operational structure of the organization. In addition, the organizational profile should include a description of the organization's geographical presence (by countries), nature of ownership and legal form, and key numbers and scale of the organization (e.g. number of employees, net sales, total assets). Significant changes during the reporting period regarding size, structure or ownership should also be reported.

As a part of strategy and analysis, the report should include a vision statement that presents the overall vision and strategy for short-term, medium-term (e.g. 3-5 years) and long-term. The statement should emphasize key challenges associated with economic, environmental and social performance. In depth, the statement should include strategic priorities and key topics, broader trends affecting the organization, key achievements and failures, and outlook on the organization's main and targets and risks. The strategy and analysis part should also include a description of governance mechanisms in place to manage risks and opportunities.

The key report parameters are also needed as a part of the strategy and profile standard disclosure. Report profile should include information about reporting period, date of the most recent report and reporting cycle (annual, biannual, etc.). Report scope and boundary are important parameters that have to be referred. The scope and boundary part should include a determination of materiality, prioritization of topics within the report and an identification of the stakeholders that are expected to use the report. The boundary of the report should be expressed by the number of countries, divisions or subsidiaries, and there should be a statement of specific limitations concerning the scope and boundary of the report. Data measurement techniques and the bases for calculations are also to be reported as a part of the key reporting parameters.

Governance structure of the organization should be clearly explained as a part of the strategy and profile disclosure. Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body should be presented – therefore, topics related to economic, environmental and social performance raised through the mechanisms during the reporting period should be identified. Furthermore, linkage between compensation for members of the highest governance body and the organization's performance (including social and environmental performance) and the process for determining the qualifications and expertise of the members of the highest governance body should be well clarified. There should also be an explanation of processes for evaluating the highest governance body's own performance, especially with respect to economic, environmental and social performance.

The reporting organization has to explicate its commitments to external initiatives. In other words, the report should list the organization's memberships in associations that

the organization has positions in governance bodies, participates in projects or committees and provides funding beyond routine membership dues. If the membership is based on strategic purposes, the intention of the membership should be clarified. Stakeholder engagement is as well a reporting necessity: there should be a list of stakeholder groups engaged by the organization. Key topics and concerns raised by stakeholder engagement – and how the organization has responded to them – are to be included in the report.

3.2.2 Management approach

The disclosure of management approach is intended to address in a greater detail the organization's approach to managing the sustainability topics associated with risks and opportunities. Therefore, the management approach can be seen as a continuation to the first standard disclosure, strategy and profile. Whereas the strategy and profile disclosure sees the organization as a whole, the management approach tries to cover the full range of aspects under a given category. Management approach can also be described as an introductory to the later following performance indicators.

3.2.3 Performance indicators

The third section of standard disclosures is organized by economic, environmental and social categories. Each of the categories includes a disclosure on management approach. However, the set of core and additional performance indicators are the main elements of the performance indicator standard disclosure. GRI's multi-stakeholder processes are behind the development of the core indicators: they are intended to identify generally applicable indicators and are assumed to be material for most organizations. An organization following the Guidelines should report on core indicators unless they are deemed not material on the basis of the reporting principles. Emerging practices and topics that may be material for some organizations are represented by additional indicators.

The Guidelines have set a guidance of how to report the performance indicators. What comes to reporting trends, information should be presented for the current reporting

period and at least two previous periods. Organization should use protocols that are meant to accompany the indicators for a better understanding, interpreting and compiling of information. Ratios and absolute data should be utilized as a part of data presentation. Also, reported data should be presented using generally accepted international metrics and standard conversion factors.

A full list of economic, environmental and social performance indicators is provided in Appendix 1.

3.2.3.1 Economic performance indicators

The economic dimension of sustainability covers the organization's impacts on economic conditions of its stakeholders and on economic systems at local, national and global levels. The stakeholders of the organization can rely on traditional financial reports in order to understand the financial performance of the organization. Therefore, the purpose of the economic aspect as a part of sustainability reporting is to provide information about the organization's contribution to the sustainability of a larger economic system – that sort of information is frequently desired by the users of sustainability reports.

As a start to the economic indicators, the organization should first provide a management approach to the following economic aspects: economic performance, market presence and indirect economic impacts. The management approach continues with a presentation of goals and performance, economic policies and additional contextual information, such as key successes and shortcomings, and key strategies for implementing policies or achieving performance.

The economic performance indicators include seven core and two additional indicators. The core indicators report on, for example, financial implications for the organization's activities due to climate change, significant financial assistance received from government, and development of infrastructure investments and services provided primarily for public benefit. A comparison of standard entry level wage to local minimum wage is an example of an additional performance indicator within the economic section.

3.2.3.2 Environmental performance indicators

Organization's impacts on living and non-living natural systems are included in the environmental dimension of sustainability. Environmental indicators cover performance related inputs and outputs. In addition, the indicators concern performance related to biodiversity, environmental compliance and other relevant information such as environmental expenditure and the impacts of products and services.

The environmental section should include management approach on the following environmental aspects: materials, energy, water, biodiversity, emissions and waste, products and services, compliance, transport and overall environmental performance. Correspondingly, the performance indicators are built around the same environmental aspects. In total, there are 17 core and 13 additional indicators within the environmental section. Both the core and additional indicators require specific data and information about the environmental behavior and performance: examples of indicators are materials used by weight or volume, direct energy consumption, total water withdrawal and initiatives to mitigate environmental impacts of products and services.

As a part of the environmental indicators, there should be notion of organizational responsibility. The explanation should expound how operational responsibility is divided at the senior level of the organization. As a continuation, there should be information concerning training and awareness in relation to the environmental aspects. Procedures related to monitoring, corrective and preventive actions should be mentioned. Also, list of certifications for environment-related performance or other auditing or verification for the reporting organization should be showed if applicable.

3.2.3.3 Social performance indicators

The third set of performance indicators includes the social dimension of sustainability. The social performance indicators are divided into four different categories: labor practices, human rights, society and product responsibility.

The internationally recognized universal standards – such as the United Nations Universal Declaration of Human Rights and The Vienna Declaration – form the basis of

the labor practices performance. Within the standards, organization is obliged to give information on employment, labor/management relations, occupational health and safety, training and education, and diversity and equal opportunity. There are 14 performance indicators within the labor practices, from which five are additional. The aspect of occupational health and safety emerges with indicators such as rates of injury, occupational diseases, lost days and absenteeism.

Human rights performance indicators are meant for organizations to report on the extent to which human rights are considered in investment and supplier selection practices. The indicators also cover issues like non-discrimination, freedom of association, child labor, indigenous rights and security practices. Like in the labor practice indicators, the organization's linkage to the international declarations and standards should be explained. The nine performance indicators of human rights are quite similarly weighted between different issues, with a slight emphasis on investment and procurement practices.

Organization's impacts on the communities in which they operate are evaluated in the society performance indicators. The society aspect deals with the risks that may arise from interactions with other social institutions and how the risks are managed. The seven core indicators have aspects of community, corruption, public policy and compliance. An additional indicator is placed on anti-competitive behavior; that is, the total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.

The fourth and final category of social performance indicators is called product responsibility. The purpose of product responsibility is to give information about the organization's products and services that directly affect customers. The topics covered include health and safety, information and labeling, marketing and privacy. The product responsibility includes only four core indicators, whereas there are five additional indicators.

3.3 Financial Services Sector Supplement

The seeds of the Financial Services Sector Supplement were planted in 2003, when the GRI and UNEP FI (United Nations Environmental Program, financial sector) co-convened a global, multi-stakeholder process involving key international financial sector and stakeholder leaders to create a pilot version of the GRI Financial Services Sector Supplement. At an early stage, the supplement for financial services was only meant to evaluate environmental performance. The environmental performance supplement was released in early 2005, and it was destined to complement an existing pilot version of social performance for financial institutions.⁴³

Since 2006 UNEP FI and GRI have jointly coordinated a working group to pilot, develop and review the draft versions of the GRI Financial Services Sector Supplement. Thus, the final version of Financial Services Sector Supplement (FSSS), that was released late 2008, was developed in a process that lasted almost five years. Over 50 global financial services players – with some of the biggest banks in the world – were involved in working groups over the course of the various stages in the sector supplement development process.

The Financial Services Sector Supplement is built around G3 Guidelines. FSSS contains three matters of additional information compared to G3 Guidelines. The first group of FSSS added information covers sector-specific text of commentary on existing G3 Guidelines. The second group denotes commentary on existing G3 Guidelines performance indicators. The third group introduces a totally new set of sector-specific disclosure on management approach and performance indicators.

Introductory section for the financial services sector is the main element of the first group of additional information provided by FSSS. For the purposes of developing the FSSS, the financial sector was segmented into four categories: retail banking, commercial and corporate banking, asset management and insurance. The definition and role of each category can be outlined with the following diagram (Figure 3):

⁴³ Homepage of Global Reporting Initiative, Sector Supplements
<<http://www.globalreporting.org/ReportingFramework/SectorSupplements/FinancialServices/>>, 6.6.2009

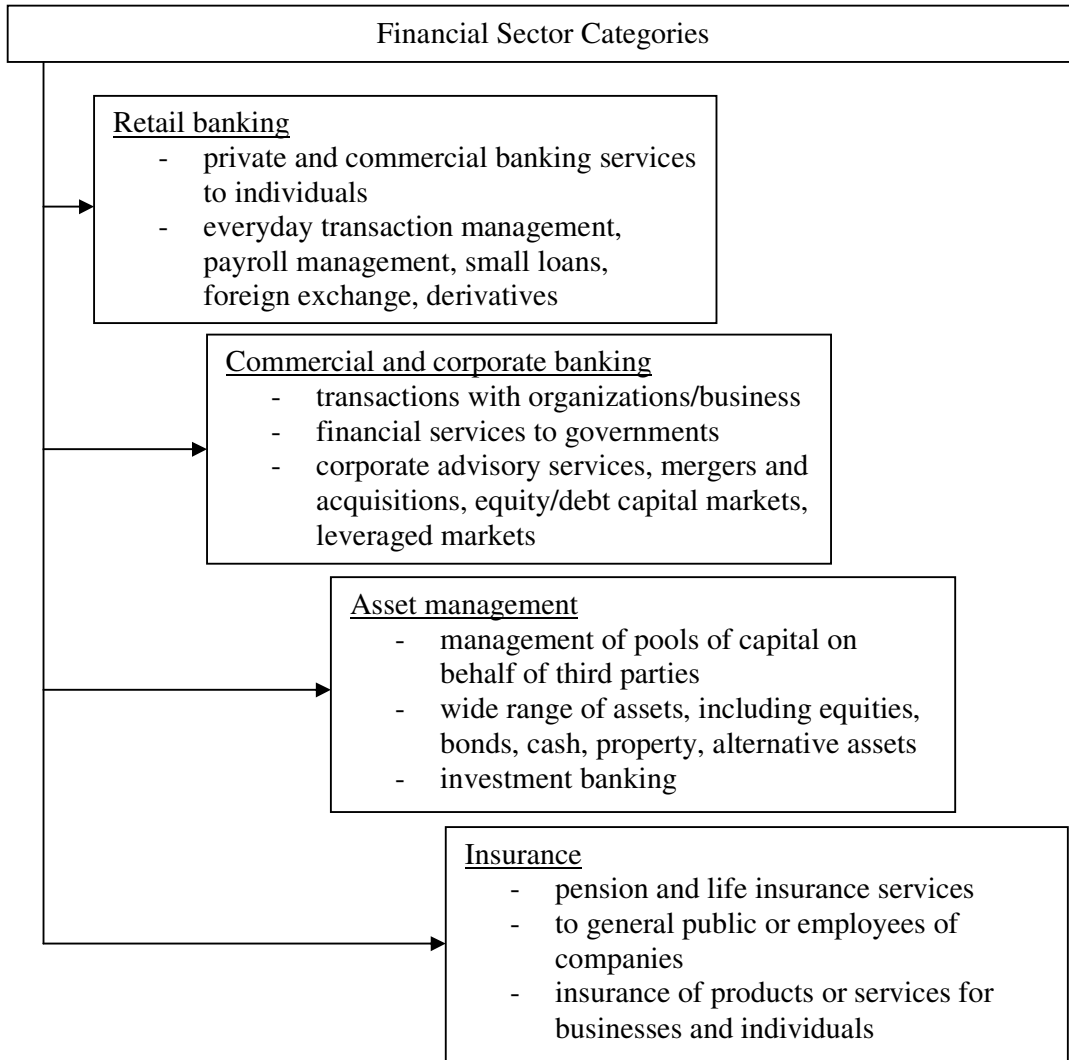


Figure 3 Financial Sector Categories.

The second group of FSSS added information to G3 Guidelines is the commentary part to economic, environmental and social section. FSSS commentary on economic section deals with disclosure on management approach concerning economic performance. In specific, FSSS requires commentary on the organization's community investment strategy. FSSS desires also a commentary on a particular economic performance indicator, EC1, where financial institutions should include and value elements of their community investment programs using a particular compilation methodology. As a part of environmental performance indicators, FSSS seeks more detail to EN16 and EN22 that deal with emissions, effluents and waste. Social section of FSSS requires a commentary on management approach concerning occupational health and safety –

commentary should include information about attacks and aggressions by customers, bank robberies and other criminal activities. Also, a commentary is needed on HR1 on investment and procurement practices.

16 new disclosures and performance indicators are presented in the FSSS – they form the third group of additional information presented in the FSSS. The aspects covered in the disclosures and indicators cover product portfolio, audit, active ownership, community and product and service labeling. Product portfolio is represented in half of the disclosures and indicators.

A full list of FSSS disclosures and performance indicators is provided in Appendix 2.

3.4 Application levels

Since the Guidelines are designed to be applied flexibly by any type of organization and across all regions and sectors, the Guidelines contain a system for companies to declare the extent to which they actually apply the Guidelines. The system is called “application levels”. The system allows organizations to clearly state whether they used the Guidelines to the maximum extent or to lesser extent.

There are three levels in the application levels system that meet the needs of beginners, advanced reporters and those somewhere in between. The levels are titled C, B and A. The highest application level is A, the lowest C. If external assurance was utilized for the report, a “plus” (+) is available at each level (e.g. B+). The levels aim to provide information for both report readers and report makers. Report readers are provided with a measure of the extent to which the GRI Guidelines elements have been applied in the preparation of a report. Report makers can profit by incrementally expanding application of GRI over time.

The lowest application level, C, was designed to make it easy for new reporting organizations to get started with the Guidelines. The lowest level requires a minimum of 10 performance indicators, whereas management approaches are not required. B level raises the bar of reported indicators to 20 and requires management approach

disclosures for each indicator category. The highest level, A, demands a response to each core G3 and sector supplement indicator, and an explanation for the reason why an indicator is omitted.

The organization that prepares a GRI based report has to self-declare the application level based on its own assessment of its report content against the criteria in GRI application levels. In addition to self declaration, the reporting organization can choose either a third party opinion on the self-declaration or request GRI to check the self-declaration.⁴⁴

3.5 Assurance

GRI recommends the use of external assurance for sustainability reports in addition to any internal resources that cover internal audit functions, internal controls and systems. The implementation of external assurance can be directed to professional assurance providers, stakeholder panels and other external groups or individuals. Either or, the assurance process should follow professional standards for assurance or they may involve approaches that follow systematic, documented and evidence-based processes.

GRI has established some key qualities for external assurance. The assurance should be conducted by groups or individuals external to the organization who are demonstrably competent in both the subject matter and assurance practices. The assurance party should not be limited by its relationship with the organization or its stakeholders in order to reach and publish an independent and impartial conclusion of the report. The assurance has to assess the extent to which the report preparer has applied the GRI. Finally, the assurance report should result in an opinion or set of conclusions that is publicly available in written form.⁴⁵

The application levels of C+, B+ and A+ can be declared if external assurance was utilized for the report. It is notable that a GRI application level check is not equivalent

⁴⁴ Homepage of Global Reporting Initiative, Application Levels
<<http://www.globalreporting.org/NR/rdonlyres/FB8CB16A-789B-454A-BA52-993C9B755704/0/ApplicationLevels.pdf>>, 6.6.2009

⁴⁵ Ballou & Heitger & Landes, 68

to external assurance and does not result in the “plus” status. If GRI is requested to check a C+, B+ or A+ report, it will check the presence of a statement from the assurance provider, but GRI does not conduct reviews to determine whether external assurance has met the application criteria.

From an organization’s point of view, credibility of the report and quality of the reported information are the key drivers of assurance. Contribution of assurance to improving and ensuring the quality and reliability of an organization’s underlying reporting processes is also appearing as one of the top drivers for using assurance. Organizations can choose to have their entire report assured or they can identify parts of the report where it is especially important that the information is assured.

KPMG International Survey of Corporate Responsibility Reporting 2008 includes comparisons of sustainability reporting assurance. First, the report presents country trends in formal assurance. Over 60 percent of reports issued by companies in France, Spain, South Korea and Italy include a formal assurance statement. The second part of assurance comparison deal with sector trends. Sector trends in formal assurance show that the mining, utilities, and oil and gas sectors hold top three positions in terms of percentage of reports with formal assurance. The finance sector is in the top half of the industries with 44 percent of reports including a formal assurance statement.⁴⁶

⁴⁶ Homepage of KPMG, International Survey of Corporate Responsibility Reporting 2008
<<http://www.kpmg.fi/Binary.aspx?Section=2353&Item=4971>>, 6.6.2009

4 SUSTAINABILITY REPORTING IN FINANCIAL SECTOR

4.1 The role of financial sector in sustainability reporting

The financial sector is the set of institutions, instruments and the regulatory framework that permit transactions to be made by incurring and settling debts by extending credit. The financial system makes possible the separation of the ownership of wealth from the control of physical capital. The financial system is maintained by financial services that refer to services provided by financial sector. The financial services encompass a broad range of organizations that deal with the management of money.⁴⁷

The financial sector has a big part in the development and promotion of sustainability reporting. Financial services often have a catalytic role in influencing the environmental behavior of other industries. If the financial services have no perceived need for sustainability reporting, it will result in hindering rather than advancing the global sustainability reporting agenda.⁴⁸

The financial services have undergone a major “mind shift” in the past decade with regards to growing reporting in the financial sector. Financial services initially perceived the environment largely in a process-oriented manner, focusing on their own relatively small footprint in terms of energy, water, transport and material usage. However, over time, financial services – partly pressured by non-governmental organizations – started to realize that more attention was required to their products with environmental, social and economical implications. The movement away from a more reactive process approach has been accompanied by increased transparency and accountability that has resulted in international cooperation. Overall, sustainability reporting by financial services is increasing and it is also stimulating further disclosure

⁴⁷ Homepage of OECD, Glossary of macroeconomics
<<http://www.oecd.org/dataoecd/52/56/31594934.pdf>>, 7.6.2009

⁴⁸ Douglas & Doris & Johnson, 387

by organizations in other sectors as the financial sector will start to perceive it as normal business practice.⁴⁹

KPMG International Survey of Corporate Responsibility Reporting 2008 has taken a look at sustainability reporting at the global level. The report has examined 250 companies from the Fortune Global 500 List (2007) that represent over a dozen industry sectors. Finance sector dominates the sample by having 78 companies of the total 250. The report states that 79 percent of the 250 companies have a sustainability report released in 2008. Three years earlier, in 2005, the percentage of released reports was 52. The data suggests that there is not only a great increase in the total number of released sustainability reports in total but also in the area of financial services.⁵⁰

In geographical comparison, there are some differences between continents (and within continents), when comparing the number of sustainability reports released by financial services. The following diagram (Figure 4) illustrates at country level the percentage of released sustainability reports in 2008 compared to the number of financial services surveyed in a country:

⁴⁹ Kolk, 40

⁵⁰ Homepage of KPMG, International Survey of Corporate Responsibility Reporting 2008 <<http://www.kpmg.fi/Binary.aspx?Section=2353&Item=4971>>, 6.6.2009

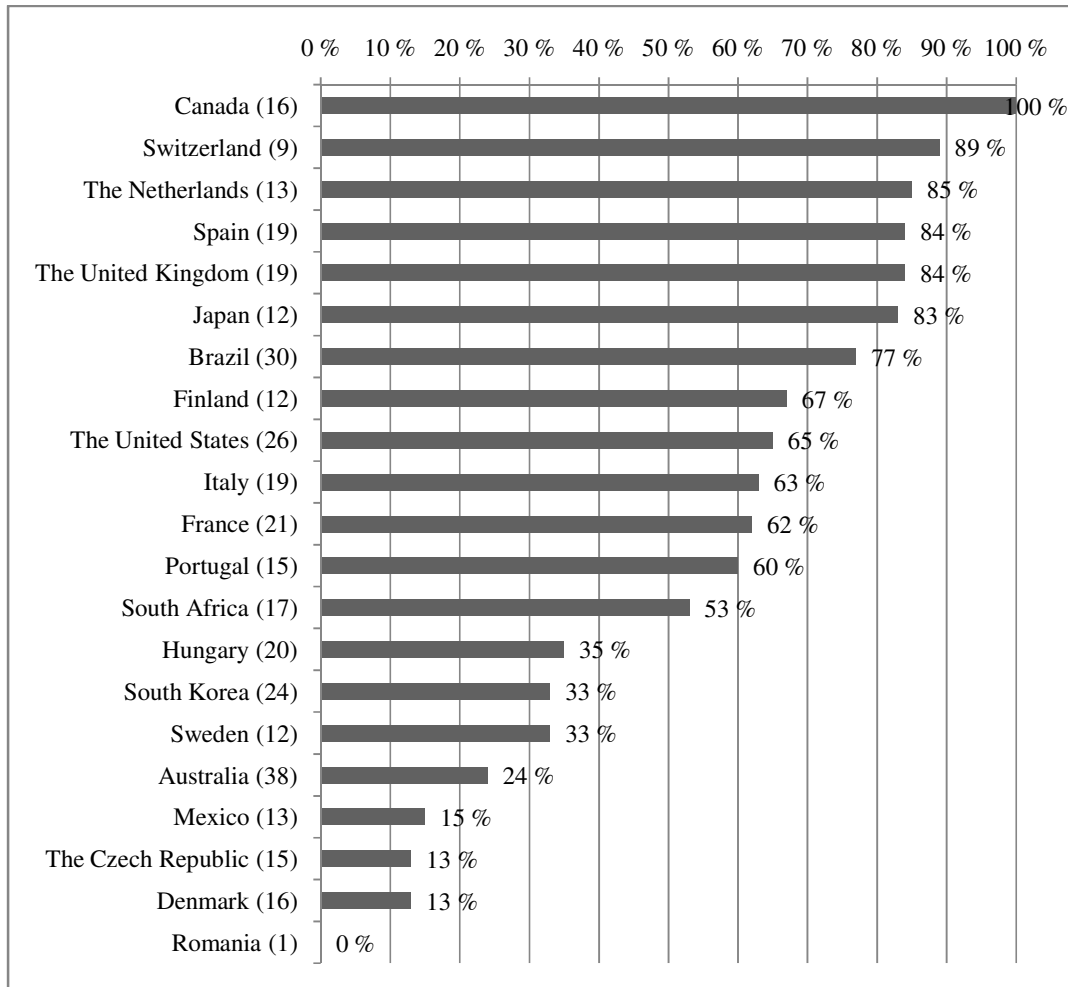


Figure 4 Financial services sustainability reporting by country.

In Canada, Switzerland and the Netherlands, almost all of the financial services report their sustainability issues – in Canada, all of the 16 financial services have released a sustainability report in 2008. Spain and the United Kingdom are also topping the list from Europe, but Japan’s and especially Brazil’s presence in the top-ten can be regarded as a surprise. It is also notable that Sweden and Denmark have quite low percentages what comes to sustainability reporting within financial services.

4.2 Financial services and GRI

Global Reporting Initiative has made an effort to follow today’s sustainability reporting spectrum by keeping a list that contains all the GRI based sustainability reports starting from the year 1999. The list is created and maintained on the basis of reporting

organizations, application level checked reports and general searching processes. The list is updated on a regular basis (e.g. once in a week). Although the goal of GRI is to provide accurate information in the GRI reports list, GRI expresses that it is not responsible for the correctness and completeness of the information presented in the list. Nevertheless, GRI aims to correct any errors that are brought to their attention concerning the reports list.⁵¹

The use of GRI within the financial services can be first compared in a time-related context. The following diagram (Figure 5) shows the number of released GRI based sustainability reports in 1999–2008 by financial services:

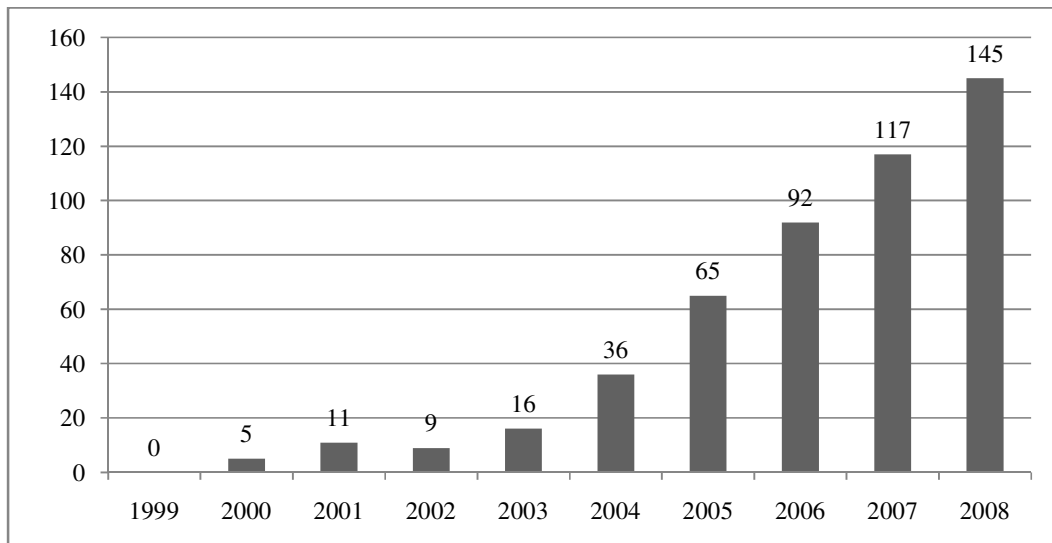


Figure 5 Number of GRI based reports by financial services in 1999–2008.

After a slow start in the beginning of the new millennium, GRI based reporting within financial services has exploded in recent years. The data clearly suggest that G2 – the second set of GRI Guidelines released in 2002 – worked as a catalyst and was a major factor in increasing the number of GRI based reports in the reporting of financial services. After 2002, there has been a steady growth of the number of reporting organizations. The process of collecting data from 2009 is still in progress, but it is evident that there will be more than 150 financial services reporting their sustainability issues by using GRI.

⁵¹Homepage of Global Reporting Initiative, GRI reports list
<<http://www.globalreporting.org/GRIReports/GRIReportsList/>>, 14.6.2009

Another aspect of timely comparison is the financial services' role as a part of the whole GRI based reporting. The diagram (Figure 6) below represents the percentage of financial services' reports compared to the total number of released GRI reports in 1999–2008:

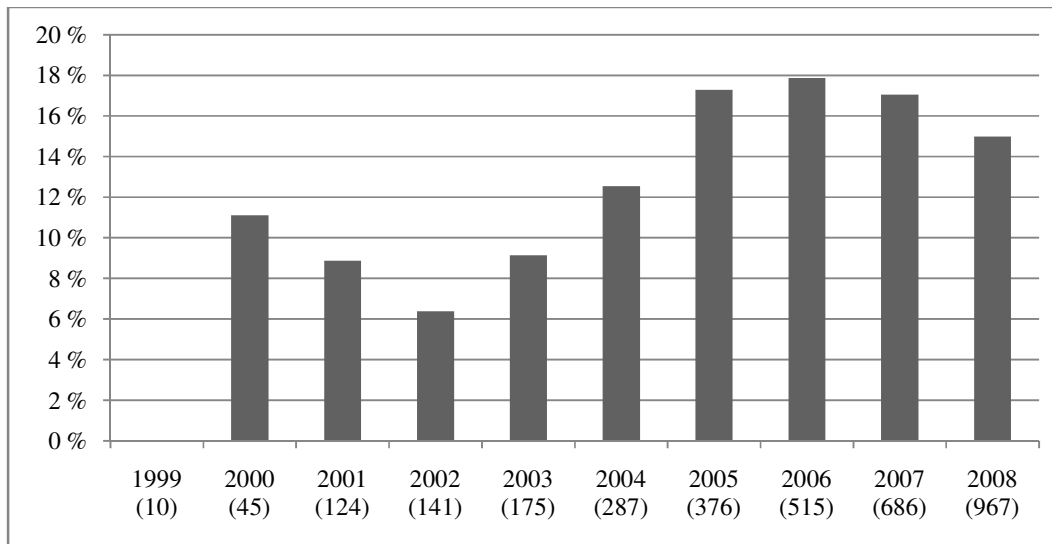


Figure 6 Percentage of financial services' reports of total GRI reports in 1999–2008.

As the total number of GRI based reports has increased from 10 to almost 1 000 between 1999 and 2008, so has the proportion of financial services' reports. Between 2005 and 2007, GRI reports by financial services represent almost one fifth of all of the published GRI reports. Again, it seems that the G2 Guidelines were especially well adapted by financial services, since there is a steady growth of the percentage in the years 2003, 2004 and 2005. After 2006, there has been a slight decrease in the proportion of financial services' reporting; this would suggest that the G3 Guidelines and especially different sector supplements are getting attention in other business industries, too.

GRI based sustainability reporting by financial services in 2008 can be taken to a closer look by first looking at the geographical spread. Overall, there are financial services from 35 countries that report their sustainability matters using GRI. The following diagram (Figure 7) shows the number of reports by country in 2008 (only countries that have a minimum of three reports are represented):

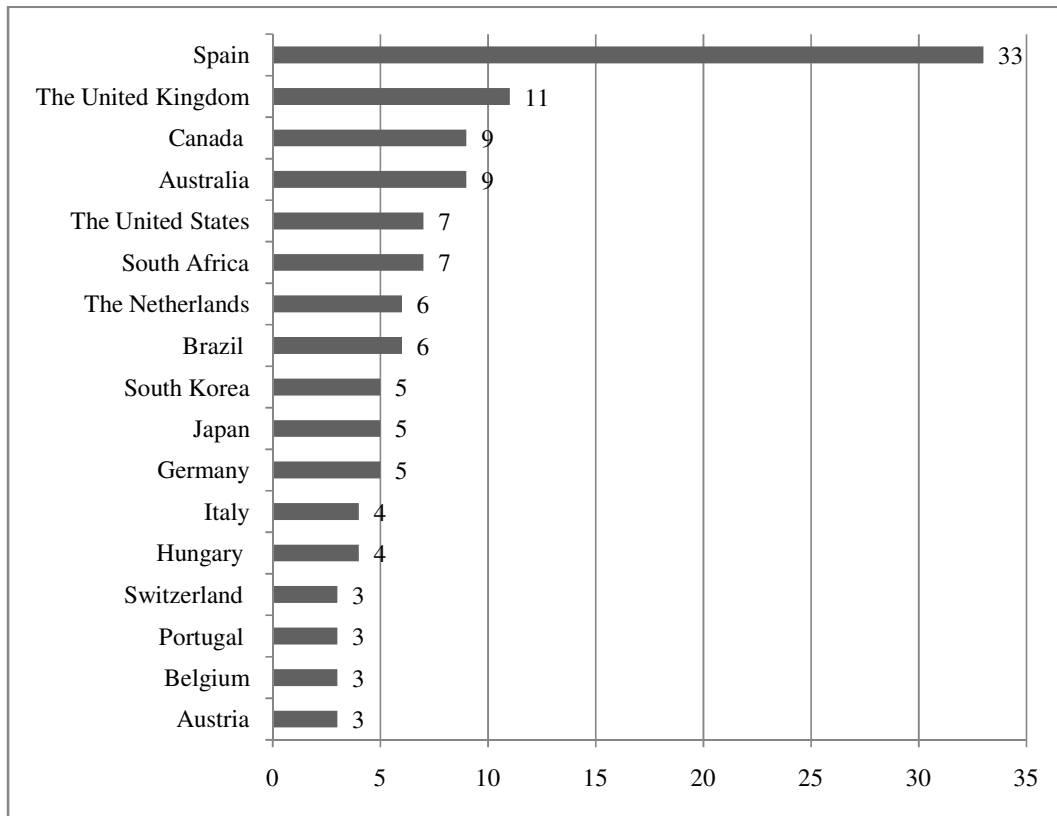


Figure 7 Country comparison of GRI based reports by financial services in 2008.

Although every continent of the globe is represented in the graph, it is still notable that European countries dominate GRI based reporting within financial services. Spain's number of reports is quite remarkable: one of the reasons is the great number of banks that only operate in one city or in a communal area. Still, there seems to be considerable interest to sustainability reporting and GRI in the Spanish financial services, since even some of the smaller banks are reporting in an extensive manner.

The extent of reporting can be studied by comparing the declared application levels by financial services. The diagram (Figure 8) below demonstrates the percentage of each application level used by financial services in 2008:

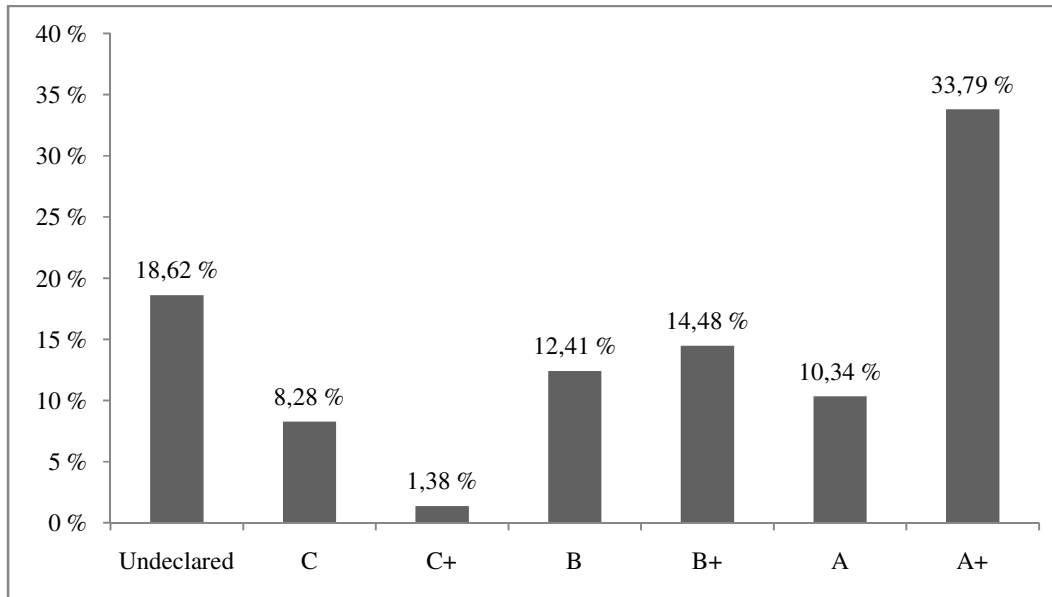


Figure 8 Declared application levels by financial services in 2008.

Financial services seem to be eager to follow G3 Guidelines to the maximum extent, since almost 34 percent of the organizations have declared their application level as A+. External assurance is used by almost half of the GRI reporting financial services. From 145 financial services, over 18 percent did not declare their application level in 2008. The lack of declaration is one major improvement that GRI will have to focus in the future, since the application levels system is essential in preparing and understanding the reports. If application level status remains undeclared, the purpose, use and benefit of the report are questionable.

Another aspect of GRI's role within the financial services can be examined by taking a look at the world's leading financial services and whether they use GRI in their sustainability reporting. Forbes Global 2000 list of the world's biggest companies can be used as a reference to identify the world's biggest companies that provide financial services. Forbes' ranking of the world's biggest companies departs from the lopsided lists based on a single metric parameter; instead, Forbes uses an equal weighting of sales, profits, assets and market value to rank companies according to size⁵². The following list (Table 1) includes 20 largest financial services in the world and their relationship to GRI based sustainability reporting:

⁵² Homepage of Forbes, Global 2000 list
<http://www.forbes.com/2009/04/08/worlds-largest-companies-business-global-09-global-intro.html>,
 27.6.2009

Rank	Company	Country	GRI used	Application level
1	HSBC Holdings	United Kingdom	√	Undeclared
2	Banco Santander	Spain	√	A+
3	ICBC	China	√	Undeclared
4	JPMorgan Chase	United States		
5	Mitsubishi UFJ Financial	Japan		
6	CCB-China Construction	China		
7	BNP Paribas	France		
8	Bank of China	China	√	A+
9	Crédit Agricole	France		
10	Intesa Sanpaolo	Italy	√	B+
11	Bank of America	United States		
12	BBVA-Banco Bilbao	Spain	√	A+
13	UniCredit Group	Italy	√	B+
14	Deutsche Bank	Germany	√	A
15	Wells Fargo	United States		
16	Sumimoto Mitsui	Japan	√	Undeclared
17	Goldman Sachs Group	United States		
18	Commonwealth Bank	Australia		
19	Société Générale Group	France		
20	Mizuho Financial	Japan	√	B

Table 1 Use of GRI in the biggest financial services in the world.

The world's largest financial services are definitely familiar with GRI based sustainability reporting, but a 50 percent GRI usage-rate seems quite low among the leading financial services. Most of the European companies on the list report sustainability by using GRI – only the French companies prefer other methods of reporting. It is highly notable that none of the four companies from the United States have adapted GRI. The sustainability reports of the four biggest U.S. financial services are very brief and short in nature. If the world's leading financial services selected GRI, external assurance was widely used. Still, three of the biggest financial services did not report their level of application in their GRI based reporting.

5 CASE STUDY

5.1 Setting and case companies

After a comprehensive research of the state of sustainability reporting and adaptation of GRI by financial services, the case study aims to take a deeper look at the actual GRI based sustainability reports. The purpose of the case study is to find and compare general reporting behavior of financial services that have chosen GRI as their reporting tool. Different aspects of GRI based reporting are going to be examined in the case study: reporting on economic, environmental and social performance is going to be put in perspective with other important areas of GRI based reporting.

A total of five case companies are selected for the case study. The five case companies differ in many ways. First, there is a tremendous difference in the size of the companies. Some of the companies present economic numbers that are leading in global comparison. At the same time, the number of working staff varies from few thousands to hundreds of thousands. Second, there are geographical differences. All of the five case companies represent a different country of origin. European, Asian and African representation within the case companies surely promises a flavor of cultural difference.

Although the differences between the case companies are significant, they all share a common factor what comes to GRI based sustainability reporting. Not only have the case companies released a GRI based sustainability report in 2009 from the reporting period of the year 2008, but they have all declared their level of application as A+. The same application level offers a profound base for the comparison of the reports although the companies differ greatly in size and location. Every case company has released their GRI based sustainability report as pdf-file on their webpage.

Bank of China Ltd (later Bank of China) is one of the four state-owned commercial banks in China. Its businesses cover commercial banking, investment banking and insurance. Bank of China provides a comprehensive range of high-quality financial

services to individual and corporate customers as well as to financial institutions worldwide. Over the past century, Bank of China has played an important role in China's financial history. Today Bank of China is the most internationalized commercial bank in China; the company has nearly 10 000 domestic outlets and more than 800 overseas branches in 29 countries.⁵³

ING Groep N.V. (later ING) is a global financial institution of Dutch origin offering banking, investments, life insurance and retirement services. ING serves more than 85 million private, corporate and institutional customers in Europe, North and Latin America, Asia and Australia. ING was founded in 1991 by a series of mergers. During its short existence, ING has grown into a versatile international company that has gained markets with numerous mergers and company acquisitions.⁵⁴

International Personal Finance, a company established in England in 1997, aims to be a leading provider of simple, fair and transparent financial products and services. The company has a goal to be recognized around the world as the human face of finance, particularly to people of modest means. International Personal Finance seeks growth in markets that have a significant need for modern banking products and services in general. Therefore, the company lists its main market areas countries like Poland, Czech Republic, Hungary and Slovakia. The company already has 1.5 million customers in Central European markets. Lately, the company has extended its operations overseas to Mexico.⁵⁵

Banco Comercial Português S.A. (later Millennium Bank) was the first private commercial bank constituted after the beginning of the Portuguese financial system liberalization and development process. In 2008, the company celebrated its 23rd anniversary. Millennium (the new brand name was launched in 2003) is the largest Portuguese private bank with a prominent position in the international markets. Greece

⁵³ Homepage of Bank of China, About Bank of China
<http://www.boc.cn/en/aboutboc/ab1/200810/t20081027_8295.html>, 3.7.2009

⁵⁴ Homepage of ING, Profile
<http://www.ing.com/group/showdoc.jsp?docid=092825_EN&menopt=abolfct>, 3.7.2009

⁵⁵ Homepage of International Personal Finance, Who we are
<http://www.ipfin.co.uk/pages/who_we_are>, 3.7.2009

represents the strategic pillar of growth for Millennium, but the group has also been active in Poland, Romania and Turkey.⁵⁶

Nedbank Group Ltd (later Nedbank) is a bank holding company that operates as one of the four largest banking groups in South Africa. The principal services offered by Nedbank comprise business, corporate and retail banking. The company was formed in a merger in 1973: during its over 30 year existence in South Africa, much of the progress and development of Southern African banking services is due to Nedbank.⁵⁷

Summary of the five case companies with key figures (numbers are in millions of euros for income, result and assets) from 2008 is provided in the following list (Table 2):

Case company	Total income	Net result	Total assets	Staff
Bank of China	16 915	6 841	721 660	249 278
ING	66 291	-729	1 331 663	124 661
International Personal Finance	503	59	932	6 100
Millennium Bank	2 591	258	94 424	22 589
Nedbank	1 829	581	42 924	27 570

Table 2 Key figures of the case companies from fiscal year 2008.

The five case companies have a dissimilar history when taking a look at GRI based sustainability reporting. The following diagram (Figure 9) illustrates the number of released GRI sustainability reports by each case company:

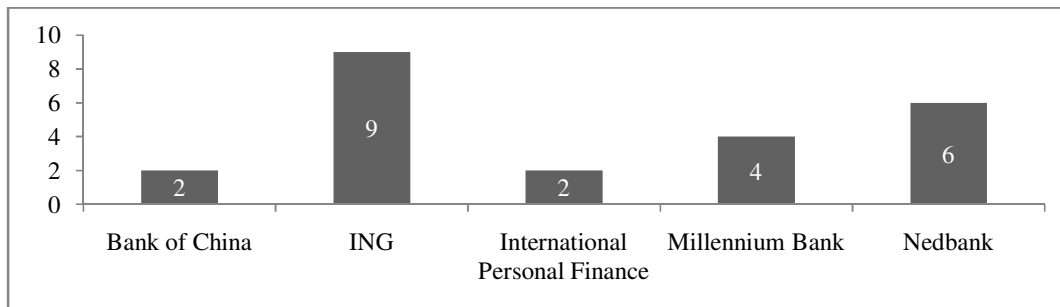


Figure 9 Number of released GRI based sustainability reports by case companies.

⁵⁶ Homepage of Millennium Bank, the Bank
<http://www.millenniumbank.gr/MillenniumVB/MillenniumEN/LeftMenu1_EN/TheBank_EN/MillenniumBCP_EN/>, 3.7.2009

⁵⁷ Homepage of Nedbank, Group profile
<<http://www.nedbankgroup.co.za/aboutGrprofile.asp>>, 3.7.2009

ING has released a GRI based sustainability report since 2000. Thus, the Dutch sustainability reporting veteran has seen almost all phases of the development of GRI and its Guidelines. Nedbank adapted GRI in 2003 and has been actively involved in the development of GRI; the bank has received special recognition and acknowledgement in its efforts to develop and promote the Sector Supplement for Financial Services. Both Bank of China and International Personal Finance have been able to attain an A+ application level already in their second year of GRI based sustainability reporting.

5.2 General information about the GRI reports of the case companies

As presented in the following diagram (Figure 10), the scope and magnitude of the sustainability reports of the case companies can be viewed by means of number of pages and the size of the report pdf-file (measured in megabytes, Mb):

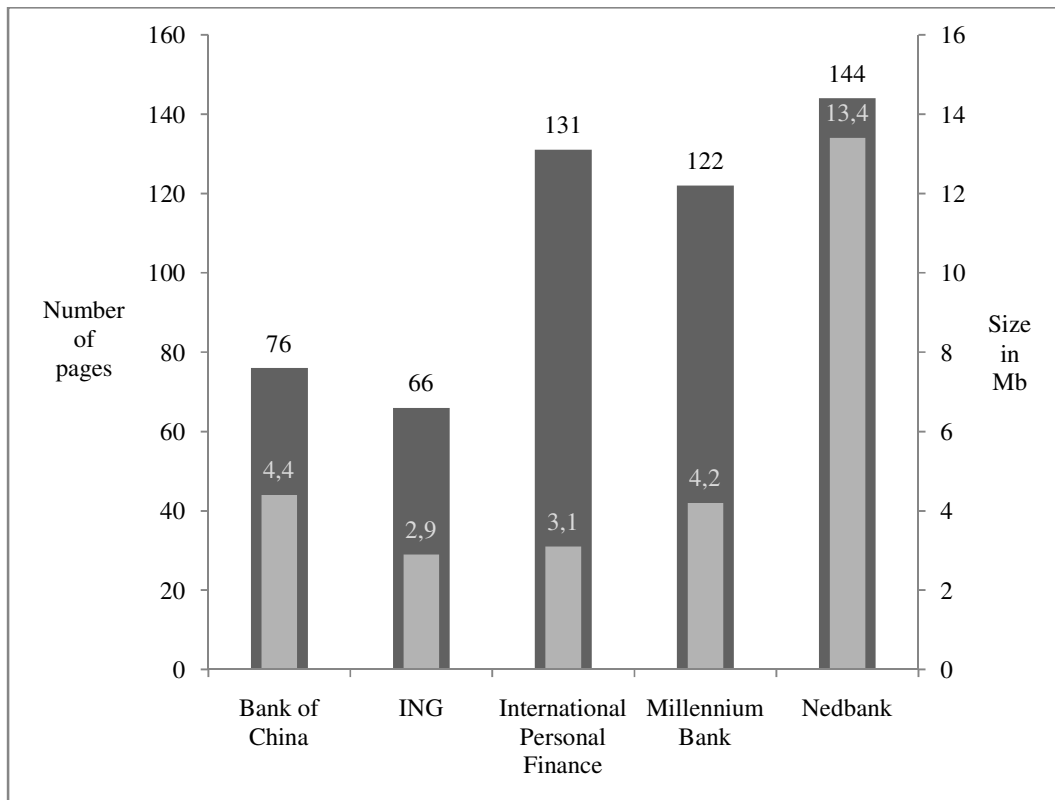


Figure 10 Number of pages and size of the case companies' GRI reports.

Although all of the case companies have declared their application level as A+, and should therefore have fairly similar amount of minimum required information in their sustainability reports, the number of report pages varies greatly. Whereas ING settles to report their sustainability issues with 66 pages, Nedbank over doubles the number with outstanding 144 pages. There seems to be a big gap between Bank of China and ING when comparing the number of pages to the rest of the case companies. This would suggest that the three companies with over 100 pages are very extensive and informative in their reporting and take into account most of the additional performance indicators.

The size of the pdf-report of Nedbank is relatively substantial if compared to other case companies. Nedbank's report "weights" over 13 megabytes, whereas the other four companies manage to present their information with a pdf-file under 5 Mb. It is notable that International Personal Finance and Millennium Bank both have over 120 pages in their report like Nedbank, but the two have been able to publish their report with much smaller digital size units. The huge size of Nedbank's report might occur because of the multifaceted use colors and pictures, while the other companies have been more firm and stable in their layout. In any case and because of the great size, Nedbank's report is lacking user friendliness when scrolling the report online or downloading the report with a slow internet connection.

The following table (Table3) presents the title of the sustainability report of each case company as well as the cover sheet of the GRI report:

Case company	Title of report	Cover
Bank of China	CSR 2008 – Building a Harmonious Society through Social Responsibility	 <p>The cover features a white background with a stylized bamboo leaf graphic on the left. At the top right is the Bank of China logo and name in Chinese and English. The central text reads 'CSR 2008' with a red arrow pointing to the right. At the bottom, it says 'Building a Harmonious Society through Social Responsibility'.</p>
ING	Corporate Responsibility Report 2008 – Taking responsibility in turbulent times	 <p>The cover has a blue background with a large orange handprint graphic. Below the handprint, the text reads 'Corporate Responsibility Report 2008' and 'Taking responsibility in turbulent times'. The ING logo is at the bottom right.</p>
International Personal Finance	CR Report 2008	 <p>The cover is dark green with the title 'CR Report 2008' at the top. Below the title are four small photos of diverse people. At the bottom, it says 'International Personal Finance' and 'The Business Side of Finance'.</p>
Millennium Bank	2008 Sustainability report	 <p>The cover shows a young boy and girl looking at colorful fish in a tank. The text '2008 Sustainability Report' is at the top left, and the Millennium Bank logo is at the bottom right.</p>
Nedbank	Sustainability and Transformation Report 2008	 <p>The cover features a close-up of a woman's hands holding several smooth, stacked stones. The title 'SUSTAINABILITY AND TRANSFORMATION REPORT 2008' is at the top right. At the bottom, it says 'MAKE THINGS HAPPEN' and 'NEDBANK'.</p>

Table 3 Title and cover of case companies' GRI reports.

The case companies prefer either corporate social responsibility or sustainability reporting as their key term in defining the topic of the report. CSR and CR are other used forms in order to describe (or shorten) the content of the report. Bank of China gives a hint in its title about the major emphasis in the report – the title clearly promises a focus on society related CSR issues. ING’s perspective in title setting is more economic related as the term “turbulent times” refers to the current financial crisis. The three other companies don’t give any particular specifications in their titles, although Nedbank uses “transformation” term as another aspect in describing change towards sustainability.

The cover sheets of the reports reveal some aspects that are important for the case companies. Bank of China exposes its role as a Chinese company with a bamboo shoot in the cover: in addition to cultural heritage, the plant also has an obvious connection to environment. ING has colored its cover with forceful orange palm on a light blue background. The use of orange, the primary color of ING’s brand, signals towards portraying the company image, but the use of a palm can be seen as a symbol of leaving a handprint to the nature. International Personal Finance seems to be more society oriented in its report by looking at the cover sheet. The laughing faces of different geographical originated people imply to the international markets where the company operates. Millennium Bank has both people and colorful environmental implications in its cover. Nedbank uses powerful symbols in its cover sheet. The “isivane” stones have a resonant significance within Zulu and Sotho cultures – the stones marked places of spiritual, astronomical and historical significance. Besides cultural and environmental meanings in the cover, Nedbank vows to the direction of people – and especially to black people – with a young South African native girl in the picture.

5.3 Reporting on economic performance

The scale of reporting on economical performance in the sustainability reports of the case companies can be first examined by the number of pages used in the reports to describe economical performance. The following diagram (Figure 11) illustrates the percentage of reporting on economic performance compared to the total number of

pages in the report (the number of pages used on economic performance related reporting is mentioned in the parenthesis):

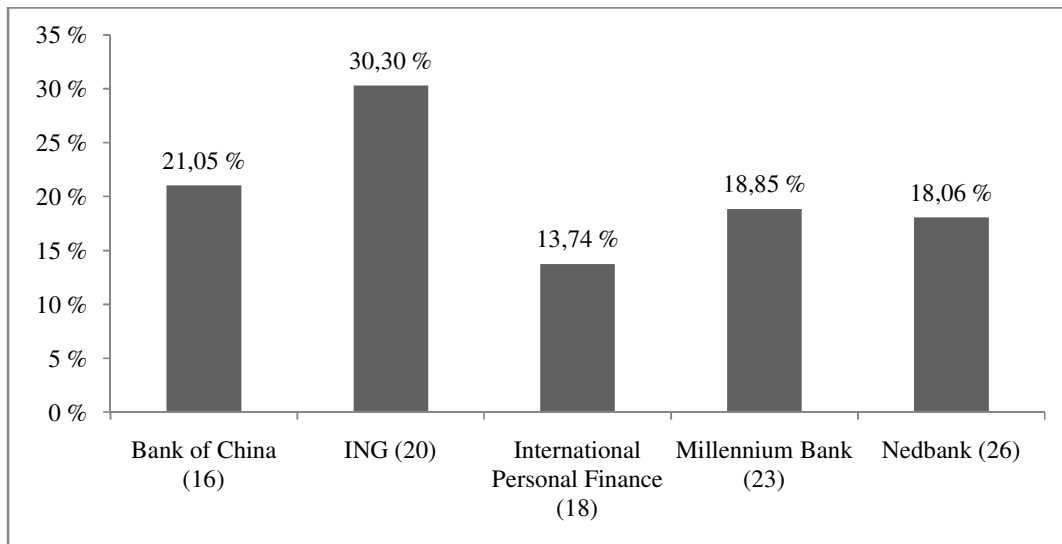


Figure 11 Page proportion of reporting on economic performance.

The two companies with least total pages in the sustainability report – Bank of China and ING – seem to put more emphasis on economical issues in their reporting. Both of the companies sacrifice over one fifth (ING almost one third) of the report to the reporting on economic performance. ING’s will to report on economical issues might not be surprising, since the title of the report already had a strong relation to economical matters. Nedbank’s 26 pages of economic performance related reporting is the most from the five case companies, but like International Personal Finance and Millennium Bank, the proportion compared to the whole report is under one fifth.

Another aspect in comparing reporting on economic performance is to compare the use of economic performance indicators. In total, there are nine economic performance indicators (from which two are additional) within the area of economic related sustainability reporting. The following table (Table 4) lists the use of each economic performance indicator by case companies:

Type	Code	Bank of China	ING	International Personal Finance	Millennium Bank	Nedbank
CORE	EC1	√	√	√	√	√
CORE	EC2	√	√		√	√
CORE	EC3	√	√	√	√	√
CORE	EC4			√	√	√
ADD	EC5	√		√		√
CORE	EC6		√	√	√	√
CORE	EC7	√	√	√	√	√
CORE	EC8	√	√		√	√
ADD	EC9					
Total		6	6	6	7	8

Table 4 Reporting on economic performance indicators by case companies.

None of the five case companies report on every single economic performance indicator. In fact, the additional indicator EC9, which deals with significant indirect economic impacts, doesn't gain attention from any of the companies. Nedbank covers all the other indicators and its eight covered indicators is the highest from the case companies. The result is not surprising, since Nedbank has the most number of pages devoted to economic performance reporting. Although ING scored high in the page number proportion comparison, the company covers only six economic indicators, similar to Bank of China and International Personal Finance. Three of the case companies have decided to cover one of the additional (EC5) indicators.

5.4 Reporting on environmental performance

Environmental performance reporting can also be put to a page comparison like economic performance was examined earlier. The following diagram (Figure 12) illustrates the percentage of reporting on environmental performance compared to the total number of pages in the report:

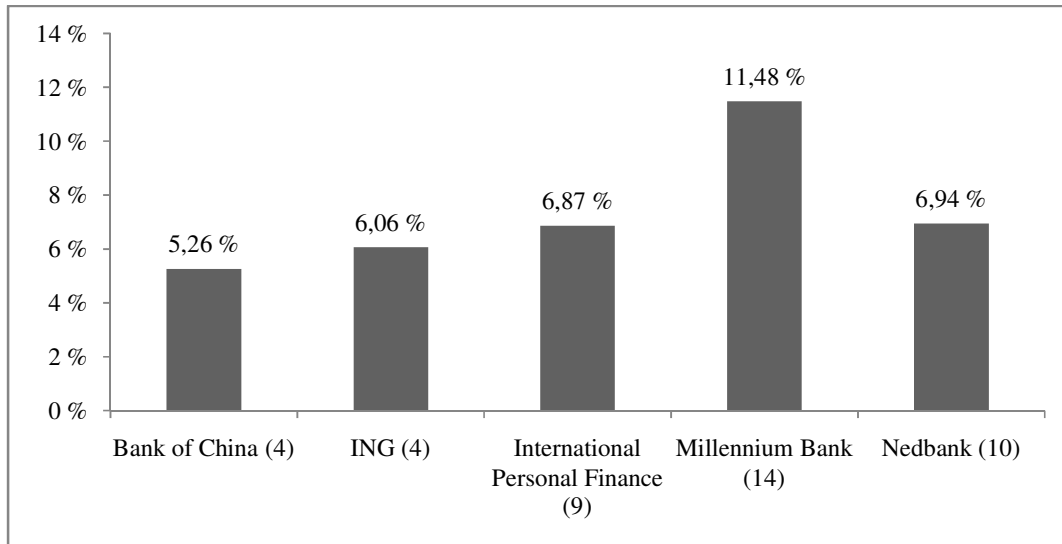


Figure 12 Page proportion of reporting on environmental performance.

The number of pages utilized for environmental performance reporting is significantly lower compared to reporting on economic performance. The reason for low percentages in the case of environmental performance reporting is simply industrial – it is clear that the nature of the financial sector is more economic performance oriented than environmental concentrated if compared, for example, to manufacturing and energy industries. Still, the case companies are making an effort to report on environmental issues. Millennium Bank is the best example with 14 pages and over ten percent of the report devoted to environmental issues. The other companies are pretty similar in the pagely comparison with an average of 6.29 percent used to describe environmental performance.

The area of environmental performance reporting consists of 30 performance indicators. The table (Table 4) below illustrates the use of each environmental performance indicator by case companies:

Type	Code	Bank of China	ING	International Personal Finance	Millennium Bank	Nedbank
CORE	EN1	√	√		√	√
CORE	EN2		√	√	√	√
CORE	EN3	√	√		√	√
CORE	EN4	√	√	√	√	√
ADD	EN5	√		√		√
ADD	EN6	√				√
ADD	EN7	√		√		√
CORE	EN8	√	√	√	√	√
ADD	EN9					√
ADD	EN10					√
CORE	EN11		√		√	√
CORE	EN12	√	√		√	√
ADD	EN13	√				√
ADD	EN14	√				√
ADD	EN15					
CORE	EN16		√	√	√	√
CORE	EN17		√	√	√	√
ADD	EN18	√		√		√
ADD	EN19		√		√	√
CORE	EN20		√		√	
CORE	EN21		√		√	
CORE	EN22	√	√	√	√	
CORE	EN23		√		√	
ADD	EN24					
ADD	EN25					
CORE	EN26	√	√		√	√
CORE	EN27		√		√	√
CORE	EN28		√	√	√	√
ADD	EN29			√		√
ADD	EN30					√
Total		13	17	11	17	23

Table 5 Reporting on environmental performance indicators by case companies.

Whereas the differences in the use of economic performance indicators were rather minor within the case companies, there is more spread in the adaptation of environmental performance indicators. Nedbank practices over twice as many environmental indicators as International Personal Finance. The relation is interesting, since the companies had almost as many pages devoted to environmental issues (Nedbank 10, International Personal Finance 9). This would suggest that Nedbank has made an effort to maximize the use of indicators, while International Personal Finance tries to be very specific with every indicator it uses. Same sort of relation with even a

greater difference in the number of pages can be found between ING and Millennium Bank.

Quite surprisingly, there is only one indicator (EN4, indirect energy consumption by primary source) that is adopted by all of the case companies. Three of the additional indicators (EN15, EN24 and EN25) can be evidently recognized as not applicable to financial services.

5.5 Reporting on social performance

Like economic and environmental performance, reporting on social performance can be first put to a perspective by taking a look at the page number proportion comparison. The following diagram (Figure 13) illustrates the percentage of reporting on social performance compared to the total number of pages in the report:

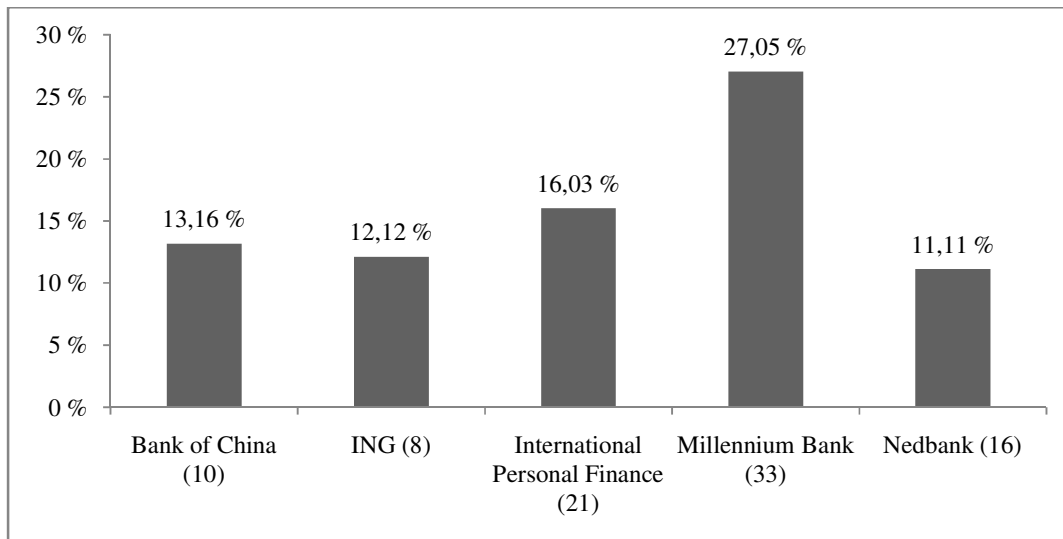


Figure 13 Page proportion of reporting on social performance.

Like in the reporting of environmental performance, Millennium Bank possesses the highest proportion in the reporting of social performance. The rest of the companies share a percentage between 11 and 16. Although social performance has the most performance indicators in the GRI Guidelines, the page comparison clearly proves that financial services spend more attention on economic performance in their reporting,

even though there are only nine economic performance indicators against 40 social performance indicators.

Social performance indicators are divided into four different groups. The first table (Table 6) on social performance indicators represents the use of labor practices related indicators by case companies:

Type	Code	Bank of China	ING	International Personal Finance	Millennium Bank	Nedbank
CORE	LA1	√	√	√	√	√
CORE	LA2	√	√	√	√	√
ADD	LA3	√		√		
CORE	LA4		√	√	√	√
CORE	LA5	√	√	√	√	√
ADD	LA6			√		√
CORE	LA7		√	√	√	√
CORE	LA8	√	√	√	√	√
ADD	LA9					√
CORE	LA10	√	√	√	√	√
ADD	LA11	√	√	√	√	
ADD	LA12	√		√		√
CORE	LA13	√	√	√	√	√
CORE	LA14	√		√	√	
Total		10	9	13	10	11

Table 6 Reporting on labor practices performance indicators by case companies.

As a whole, labor practices related indicators are widely covered by the case companies. International Personal Finance, with the use of 13 indicators, has really put major effort on reporting about its labor practices. Again, already the cover of the company's sustainability report with smile faces gave a cue that the company would centre around society linked reporting. Nedbank is the only case company that has reported on LA9, which deals with health and safety topics covered in formal agreements with trade unions. Like in the earlier indicator comparison groups, ING seems to favor mostly core indicators and reports only occasionally on additional indicators.

The second area of social performance related indicators has a human rights approach. The following table (Table 7) lists the use of human rights related indicators by case companies:

Type	Code	Bank of China	ING	International Personal Finance	Millennium Bank	Nedbank
CORE	HR1		√		√	√
CORE	HR2		√	√	√	√
ADD	HR3		√			
CORE	HR4			√	√	√
CORE	HR5		√	√	√	√
CORE	HR6		√	√	√	√
CORE	HR7		√	√	√	√
ADD	HR8					
ADD	HR9					
Total		0	6	5	6	6

Table 7 Reporting on human rights performance indicators by case companies.

Reporting on human rights indicators gives contradictory results. Four of the case companies have handled almost all of the core indicators, but at the same time, additional indicators remain without interest. Still, the most significant result of the use of human rights indicators is, well, the lack of use of the indicators by Bank of China. Even more striking is the fact that the company has not explained in its report why such a lack of reporting exists. The result clearly proves that human rights are still some sort of taboo in the Chinese society – even in the area of financial services and sustainability reporting.

The third group of social performance indicators is named society. The table (Table 8) below illustrates the use of society related indicators by case companies:

Type	Code	Bank of China	ING	International Personal Finance	Millennium Bank	Nedbank
CORE	SO1	√	√	√	√	√
CORE	SO2		√	√	√	√
CORE	SO3		√	√	√	√
CORE	SO4	√	√	√	√	√
CORE	SO5	√	√	√	√	√
ADD	SO6	√	√	√		√
ADD	SO7			√		
CORE	SO8		√	√	√	√
Total		4	7	8	6	7

Table 8 Reporting on society performance indicators by case companies.

International Personal Finance continues with its firm take on social performance indicators by answering to all of the society indicators. Millennium Bank seems to be avoiding the additional indicators of social performance indicators; the company has taken interest in only total of one additional indicator of labor practices, human rights and society. Bank of China uses half of the society performance indicators. Two of the core indicators – SO2 and SO3 dealing with corruption and anti-corruption procedures – are missing. Again, the Chinese society has a strong influence to the state owned international bank.

The final group of social performance indicators concerns product responsibility. The following table (Table 9) lists the use of product responsibility indicators by case companies:

Type	Code	Bank of China	ING	International Personal Finance	Millennium Bank	Nedbank
CORE	PR1		√		√	√
ADD	PR2		√			
CORE	PR3		√		√	√
ADD	PR4			√		
ADD	PR5	√		√		√
CORE	PR6		√	√	√	√
ADD	PR7			√		
ADD	PR8		√	√		
CORE	PR9		√	√	√	√
Total		1	6	6	4	5
Total social		15	28	32	26	29

Table 9 Reporting on product responsibility indicators by case companies.

The use of product responsibility indicators varies slightly between the four companies that report on more than one indicator. Again, Millennium settles to report only the core indicators, whereas International Personal Finance is eager to cover almost every of the five additional indicators. Bank of China continues in the same path as it did with human rights and society indicators: reporting is very narrow what comes to product responsibility indicators.

The total number of covered social performance indicators ranges between 15 and 32. ING's use of 28 social performance indicators seems like a large amount if compared to

the company’s number of pages (eight) devoted to reporting on social performance. In contrary, Millennium Bank sacrifices 33 pages to social performance reporting, but manages “only” 26 social performance indicators. Bank of China has many evident deficiencies in its reporting of social performance, since the report covers only 37.5 percent of social performance indicators.

5.7 Reporting on Financial Services Sector Supplement

Financial Services Sector Supplement has 16 disclosures and performance indicators. The table (Table 10) below lists the use of disclosures and performance indicators of FSSS by case companies:

Code	Bank of China	ING	International Personal Finance	Millennium Bank	Nedbank
FS1.	√	√		√	√
FS2.	√	√		√	√
FS3.	√	√		√	√
FS4.	√	√		√	√
FS5.	√	√		√	√
FS6.	√	√		√	√
FS7.	√	√		√	√
FS8.	√	√		√	√
FS9.		√		√	√
FS10.	√	√		√	√
FS11.		√		√	√
FS12.	√	√		√	√
FS13.				√	√
FS14.	√			√	√
FS15.	√			√	√
FS16.	√			√	√
Total	13	12	0	16	16

Table 10 Reporting on disclosures and performance indicators of FSSS.

Four of the case companies have used FSSS in their sustainability reporting. If FSSS and its indicators were used, they were executed very thoroughly: Millennium Bank and Nedbank have achieved to report on every single disclosure and performance indicator of FSSS. International Personal Finance – reporting with GRI for the second time in the company’s history – has not chosen to report on the issues covered in FSSS. Although

there is no clear explanation of the lack of using FSSS, the company promises in its report to continue the development and widen the extent of sustainability reporting in its 2009 report.

5.8 Other reporting trends

As a part of standard disclosures in the G3 Guidelines, the reporting organizations are obliged to provide information about organizational profile. As covered in the presentation of the Guidelines, there are some mandatory information needs for organization profile section such as primary brands, products and services, and operational structure of the organization. Corporate governance and stakeholder issues are also a part of the strategy and profile standard disclosure. The following diagram (Figure 14) illustrates the number of pages used for the strategy and profile section and the percentage of pages compared to the whole report:

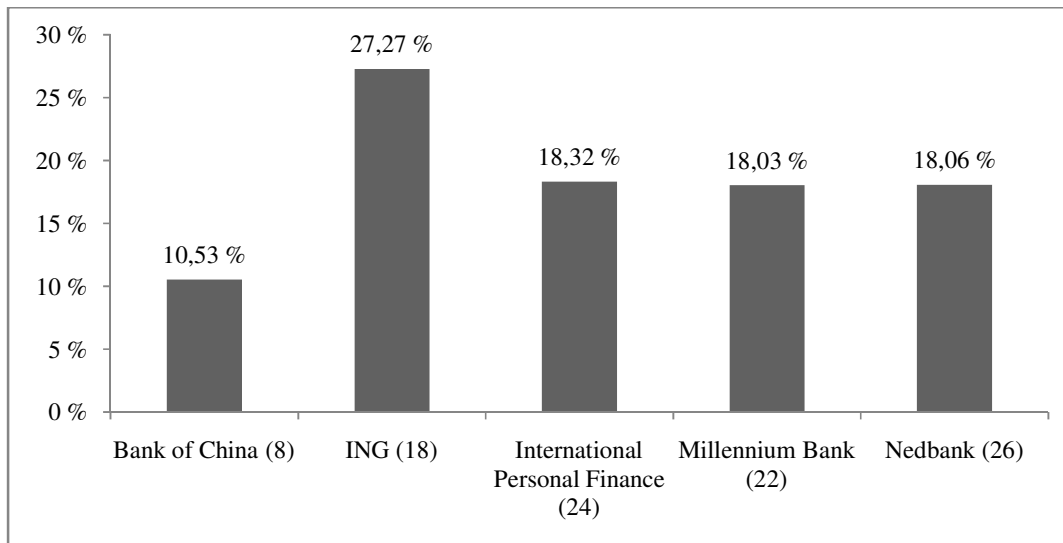


Figure 14 Page proportion of reporting on strategy and profile.

All of the case companies have their strategy and profile section right in the beginning of the report – in the case of Bank of China, Millennium Bank and Nedbank, just after messages from different chairmans or presidents of the companies. The three biggest “page setters” share quite amazingly almost the same proportion of strategy and profile information in their report when comparing the number of pages. Proportionally, ING

uses more space in its report in the description of the organization. Bank of China devotes least pages to strategy and profile section. Instead, the company has an additional section called “commitment to country”, which can be seen as a national reporting trend and as a linkage to the state-owned organizational structure.

The use of pictures and visual effects is an important aspect in the sustainability reports. The role of different kind of illustrations compared to actual textual content can be measured by counting the number of illustration pages that the report has. A page that does include only a “one-liner” or doesn’t contain any text at all can be regarded as an illustration page. The diagram below (Figure 15) shows the number of illustration pages in the reports and their proportion compared to the whole reports (cover sheets included as illustration pages):

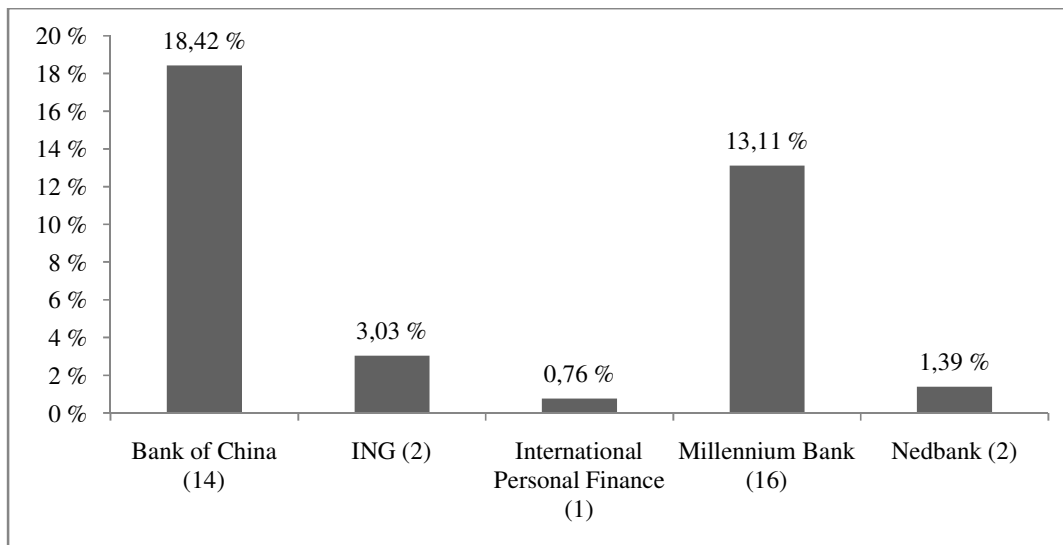


Figure 15 Page proportion of illustration pages in the reports.

There is a great deal of variation in the use of illustration pages in the reports of the case companies. Bank of China has decided to dedicate almost one fifth of its report to pictures or blank white pages. Millennium Bank has 16 colorful picture pages with same theme as in the report’s cover sheet. Rest of the case companies use their report space very efficiently: pictures are infiltrated into text pages and there are hardly any pages that are fully dedicated to pictures. The main color of the reports for each company is in line with the company logo.

6 CONCLUSION

After ten years of GRI based sustainability reporting, today about 150 financial services worldwide are using GRI as their primary sustainability reporting tool. It is obvious that the number of GRI reporting financial services is very small compared to the total number of financial services in the world – only in the United States there are over 8000 companies providing financial services⁵⁸. Hence, GRI has an enormous market of financial services that are still lacking sustainability reporting or have chosen different methods to proceed with reporting. It is highly probable that the number of GRI reporting financial services keeps increasing on a steady rate. The companies that are currently using GRI are destined – or at least should be – to continue with GRI, since the adaptation of Guidelines requires long-term commitment to ensure comparability and quality of reporting.

GRI based sustainability reporting amongst financial services is a global phenomenon. Overall, sustainability reporting of financial services has spread to every continent with an especially strong presence in Europe. Therefore, it is not surprising that the European financial services are the ones that are the most frequent GRI reporters. Still, financial services from countries like Canada, Australia and South Africa are challenging their European counterparts in effort to report with GRI. Although GRI has its roots in the United States, only seven U.S. based financial services are currently using GRI as their sustainability reporting tool. The number is considerably small when taking to account the large number of banks in a country with a population over 300 million. In geographical context of GRI based reporting of financial services, Chinese organizations were lacking representation in country comparison, but the upcoming years will surely add more reporting Chinese financial services to the lists: two of the biggest Chinese financial services are already showing an example. Is there also going to be financial services from Russia that are using GRI – or at least reporting about sustainability issues – in the future?

⁵⁸ Homepage of Federal Deposit Insurance Corporation (FDIC)
<<http://www4.fdic.gov/IDASP/index.asp>>, 24.7.2009

One of the key characteristics of GRI is its usability to all kinds of organizations. The research has shown that financial services with very different dimensions have chosen GRI as their reporting tool. The biggest financial services of the world have not been the ones setting the pace and direction for the smaller ones to follow. Some of the biggest financial services of the world are yet unfamiliar with the world's widest used sustainability reporting tool. In contrary, many of the smaller financial services are making a significant attempt to make their sustainability reporting a very detailed ensemble. The reasons of such behavior can rest on many grounds. The bigger companies have not recognized GRI based sustainability reporting as a necessity or at least not as important as traditional financial reporting. The smaller financial services, in contrast to bigger ones, have discovered GRI as a primary sustainability tool and in addition, used the GRI reports to create and update corporate image.

The main idea of GRI is to provide a framework for sustainability reporting. The case study of the research demonstrated that GRI's framework can be adapted and decoded with different styles and reporting contents; many differences exist even though reporting organizations share the same application level. The external nature of the report is left for the reporting organization to decide. Therefore, the reports of the case companies were very different in their visual appearance. Some of the companies favored pictures and lively colors to boost a particular image of the company, the others were more blinkered in their way of representing their sustainability issues visually. In any case, the GRI based sustainability report reveals a face of the company – not only in the sense of sustainability but as a company in whole.

GRI based reporting includes a division of three different aspects of sustainability reporting: economic, environmental and social performance are under observation. As noted in the case study, different financial services went to different extremes in their effort to fulfill the requirements of A+ application level. Some of the case companies showcased an extensive variety of sustainability information with over one hundred report pages, the others were more firm in presenting the required information. There were also differences in the emphasis of different areas of reporting. Extensive coverage on economical performance is typical for financial services, whereas environmental performance gains less attention. The reporting on social performance had most variation between the case companies – the difference was usually caused by the

general focus of the report in either accentuating social performance or neglecting some key issues due to cultural reasons.

The Financial Services Sector Supplement was utilized for the first time in the 2008 GRI based reports. Although the purpose of FSSS is to provide sector specific information about sustainability issues of financial services, its impact to the whole report of the case companies was rather subtle. Some of the case companies followed the disclosures and performance indicators of FSSS to the maximum extent, where one of the companies fully neglected the use of FSSS. Still, a report without the use of FSSS was declared as an A+ report, which raises questions about the comparability of reports within a particular application level.

The structure and declaration of application levels is evidently causing confusion. First, according to G3 Guidelines, every organization that uses GRI needs to declare an application level that the organization uses in its sustainability reporting. However, many financial services – even the biggest ones – have not expressed their level of application. In addition, no reason or explanation is given for such behavior. Second, even if an organization declares a certain application level, the information presented in the report might not correspond to the requirements set by the particular application level. The case study revealed (for example, in the social performance reporting of Bank of China) that information can be left out from a report without any further clarification. This kind of behavior also question the assurance statements and on what grounds is the assurance statement's take on application level based on.

The increase in the number of GRI based reports by financial services, the global perspective, Financial Services Sector Supplement and the use of application are results of development that is directing towards standardization. The evolving GRI Guidelines and sector specific additions clearly expose GRI's goal to make sustainability reporting a standardized procedure all over the world. And yes, GRI has been very successful in its efforts of doing so: the spread to over 150 financial services representing different geographical extremes over a time period of ten years is a triumph for the whole concept of sustainability reporting. Regardless, one of the main debates of the development of GRI is going to circle around standardization. To what extent should standardization apply in the GRI based reports? Even more, how much is it even

possible to standardize sustainability reporting? Can standardization go to such extremes that the reporting companies will lose their passion to not only report on sustainability but to also report on company image and culture?

In the future, GRI will continue in its path to enhance comparability between reporting organizations. In fact, GRI has started a project to develop National Annexes for use in conjunction with the Guidelines. GRI has recognized that sustainability is very much a matter of time, place and community – the National Annexes are there to address questions that deal with country or regional issues⁵⁹. Also, GRI is currently reviewing a research project relating to community impacts. The project might result in adding community indicators to current G3 Guidelines⁶⁰.

As a business student, it is pleasing to discover that GRI has also started to formulate a GRI Academic Network. The Academic Network was boosted in the 2008 Amsterdam Global Conference on Sustainability and Transparency, where participation of academics had grown significantly compared to the first conference held in 2006. The Network is currently requesting material on research related to sustainability reporting and projects involving sustainability and GRI. I hope that my research on application of GRI in the sustainability reporting of financial services can provide some new insights and findings for the Academic Network to use.

⁵⁹ Homepage of Global Reporting Initiative, National Annexes
<<http://www.globalreporting.org/ReportingFramework/NationalAnnexes/>>, 25.7.2009

⁶⁰ Homepage of Global Reporting Initiative, Current Priorities
<<http://www.globalreporting.org/CurrentPriorities/CommunityImpacts/>>, 25.7.2009

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APPENDICES

APPENDIX 1: G3 Performance Indicators

Economic performance indicators

Type	Code	Performance indicator
CORE	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.
CORE	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.
CORE	EC3	Coverage of the organization's defined benefit plan obligations.
CORE	EC4	Significant financial assistance received from government.
ADD	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.
CORE	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.
CORE	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.
CORE	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.
ADD	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.

Environmental performance indicators

Type	Code	Performance indicator
CORE	EN1	Materials used by weight or volume.
CORE	EN2	Percentage of materials used that are recycled input materials.
CORE	EN3	Direct energy consumption by primary energy source.
CORE	EN4	Indirect energy consumption by primary source.
ADD	EN5	Energy saved due to conservation and efficiency improvements.
ADD	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.
ADD	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.
CORE	EN8	Total water withdrawal by source.
ADD	EN9	Water sources significantly affected by withdrawal of water.
ADD	EN10	Percentage and total volume of water recycled and reused.
CORE	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.
CORE	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.
ADD	EN13	Habitats protected or restored.
ADD	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.
ADD	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.
CORE	EN16	Total direct and indirect greenhouse gas emissions by weight.
CORE	EN17	Other relevant indirect greenhouse gas emissions by weight.
ADD	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.
CORE	EN19	Emissions of ozone-depleting substances by weight.
CORE	EN20	NO, SO, and other significant air emissions by type and weight.
CORE	EN21	Total water discharge by quality and destination.
CORE	EN22	Total weight of waste by type and disposal method.
CORE	EN23	Total number and volume of significant spills.
ADD	EN24	Weight of transported, imported, exported, or treated waste deemed to hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.
ADD	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.
CORE	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.
CORE	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.
CORE	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

ADD	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.
ADD	EN30	Total environmental protection expenditures and investments by type.

Social performance indicators

Labor practices

Type	Code	Performance indicator
CORE	LA1	Total workforce by employment type, employment contract, and region.
CORE	LA2	Total number and rate of employee turnover by age group, gender, and region.
ADD	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.
CORE	LA4	Percentage of employees covered by collective bargaining agreements.
CORE	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.
ADD	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.
CORE	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.
CORE	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.
ADD	LA9	Health and safety topics covered in formal agreements with trade unions.
CORE	LA10	Average hours of training per year per employee by employee category.
ADD	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.
ADD	LA12	Percentage of employees receiving regular performance and career development reviews.
CORE	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.
CORE	LA14	Ratio of basic salary of men to women by employee category.

Human rights

Type	Code	Performance indicator
CORE	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.
CORE	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.
ADD	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.
CORE	HR4	Total number of incidents of discrimination and actions taken.
CORE	HR5	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.
CORE	HR6	Operations identified as having significant risk for incidents of child labor, and measure taken to contribute to the elimination of child labor.
CORE	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.
ADD	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.
ADD	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.

Society

Type	Code	Performance indicator
CORE	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.
CORE	SO2	Percentage and total number of business units analyzed for risks related to corruption.
CORE	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.
CORE	SO4	Actions taken in response to incidents of corruption.
CORE	SO5	Public policy positions and participation in public policy development and lobbying.
ADD	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.
ADD	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.
CORE	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.

Product responsibility

Type	Code	Performance indicator
CORE	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.
ADD	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.
CORE	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.
ADD	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.
ADD	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.
CORE	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.
ADD	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.
ADD	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.
CORE	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

**APPENDIX 2: Financial Services Sector Supplement Disclosures and
Performance Indicators**

Aspect	Code	Disclosure/Performance indicator
Product Portfolio	FS1.	Policies with specific environmental and social components applied to business lines.
	FS2.	Procedures for assessing and screening environmental and social risks in business lines.
	FS3.	Processes for monitoring client's implementation of and compliance with environmental and social requirements included in agreements or transactions.
	FS4.	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.
	FS5.	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.
	FS6.	Percentage of the portfolio for business lines by specific region, size and by sector.
	FS7.	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.
	FS8.	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.
Audit	FS9.	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.
Active Ownership	FS10.	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.
	FS11.	Percentage of assets subject to positive and negative environmental or social screening.
	FS12.	Voting policies applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.
Community	FS13.	Access points in low-populated or economically disadvantaged areas by type.
	FS14.	Initiatives to improve access to financial services for disadvantaged people.
Product and Service Labeling	FS15.	Policies for the fair design and sale of financial products and services.
	FS16.	Initiatives to enhance financial literacy by type of beneficiary.