A COMPARATIVE ANALYSIS OF THE GRI G3.1 AND THE GRI G4 EXPOSURE DRAFT

By: Fara Laynds Lamborghini
Advisor: Prof. Eko Ganis Sukoharsono, S.E., M.Com (Hons), Ph.D.

International Undergraduate Program - Accounting
University of Brawijaya

ABSTRACT

Social responsibility accounting is a concept explains that organizations have a responsibility towards customers, employees, shareholders, communities and the environment in all aspects of company operations. Therefore, there is guidelines guidance for the preparation of sustainability report in proving social responsibility to the stakeholders and shareholders, such as the Global Reporting Initiative (GRI). GRI itself has latest two versions. First, GRI G3.1 and the last one is GRI G4-Exposure Draft which is going to launch in the mid of 2013. It is expected to be able to examine the effectiveness of company or institution in using guideline of GRI G4 which is going to launch in 2013 in reporting the sustainability performance. It could be done by analyzing the advantages and find the lack of information within standards, the points that have not included yet, and try to give inputs and advices for the standard development.

Keywords: Social Responsibility Accounting, Sustainability Report, Global Report Initiative (GRI), GRI G3.1, GRI G4-Exposures Draft

Introduction

Due to the significance of social responsibility in achieving sustainable development, some attempts have been made to formulate covenants and standards to determine its ethical and social specifications (Rahahleh and Sharairi, 2008:5). Environmental costs and obligations are significantly growing and continue to grow as the world becomes more environmentally conscious. In some cases in years past, environmental issues were virtually ignored by both corporations and individuals, even though today we still could find too.
Hazardous waste and other such items were considered a cost of a growing economy. Times have changed as people now realize the effects of waste products that potentially could damage parts of environment (Sukoharsono, 2011:3).

Background
The classify of activities of social responsibility and society service are into the following major domains: 1) *At the commitment level*: Performance of specific activities stipulated in laws and regulations, and performance of additional activities not stipulated directly in laws and regulations, but serving community purposes; 2) *In terms of quality of activities*: Environmental protection activities, such as nature reserves, cleaning, and pollution prevention; activities related to workers represented in a group of benefits, privileges, and services, which have positive impacts on their welfare and that of their families; activities of interaction with the surrounding environment, including all activities that positively influence the society, such as consumer protection activities Rahahleh and Sharairi, 2008:7). It is necessary to develop the principles of disclosure and transparency to include the disclosure of the costs of environmental pollution reduction as one of the main elements of the concept of social accounting (Bamzahim, 2003 in Rahahleh and Sharairi, 2008). Some of possible solutions shed light on the concept of social responsibility accounting and environmental accounting. They determine the concept and characteristics of the social cost of pollution and state the components of this cost. Additionally, they establish a measurement of cost items borne by the economic unit to minimize pollution, protect human beings, as well as livestock, and determine the agricultural wealth of the society (Swaity, 2004 in Rahahleh and Sharairi, 2008). There has been an attempt to reach an appropriate method of environmental accounting application for industrial enterprises through the following steps, called the “environmental footprint,” concerned with the materials and energy in the production and understanding of the environmental costs of the enterprise; tracking and separating non-financial data from the raw material and energy; tracking and recording the environmental costs; a review of the proposed decisions, taking into account the extent to which they incorporate
environmental costs; a non-financial measurement of environmental performance; and advanced techniques to transform environmental costs into products and operations by using an activity based costing (ABC) system and an activity based management (ABM) system (Stone, 1997 in Rahahleh and Sharairi, 2008). Social Responsibility Accounting (SRA) is an action concept conducted by the company (according to company’s ability) as a form if the responsibility towards social and environment where the company is located. For example, ranging from doing activities that can improve public welfare and environmental improvements; provision of scholarships for unfortunate children, the provision of funds for the maintenance of public facilities, contributions to public facilities which are socially benefit and useful for many people, especially communities around the company is located. Social Responsibility Accounting (SRA) arises from an era where the awareness of long-term sustainability of the company is more important than profitability (Apriani, 2012).

Based on the importance of sustainability reporting in the present, the business world requires a CSR reporting standards that are acceptable generally. The Global Reporting Initiative (GRI) is a non-profit organization that works towards a sustainable global economy by providing sustainability reporting guidance. GRI has pioneered and developed a comprehensive Sustainability Reporting Framework that is widely used around the world. The Framework enables all organizations to measure and report their economic, environmental, social and governance performance – the four key areas of sustainability. The Reporting Framework – which includes the Reporting Guidelines, Sector Guidelines, and other resources – enables greater organizational transparency about economic, environmental, social, and governance performance. This transparency and accountability builds stakeholders’ trust in organizations, and can lead to many other benefits. Thousands of organization, of all sizes and sectors, use GRI’s Framework in order to understand and communicate their sustainability performance. GRI’s is a multi-stakeholder, network-based organization. Its Secretariat is headquartered in Amsterdam, the Netherlands. The Secretariat acts as a hub, coordinating the activity of GRI’s many network
partners. GRI has Focal Points – regional offices – in Australia, Brazil, China, India, and the USA. Its global network includes more than 600 Organizational Stakeholders – core supporters – and some 30,000 people representing different sectors and constituencies. GRI also enjoys strategic partnerships with the United Nations Environment Programmed, the UN Global Compact, the Organization for Economic Co-operation and Development, International Organization for Standardization and many others. GRI’s Guidelines are developed with the expertise of the people in its network. International working groups, stakeholder engagement, and due process – including Public Comment Periods – help make the Guidelines suitable and creditable for all organizations. The uptake of GRI’s guidance was boosted by the 2006 launch of the current generation of Guidelines, G3. Over 3,000 experts from across business, civil society and labor participated in G3’s development. In March 2011, GRI published the G3.1 Guidelines – an update and completion of G3, with expanded guidance on reporting gender, community and human rights-related performance. G4 is GRI’s fourth generation of Sustainability Reporting Guidelines and is now in development. G4 is part of GRI’s commitment to the continuous development of its Guidelines. The starting point of the G4 Exposure Draft is the G3.1 Guidelines. The changes presented in the G4 Exposure Draft were developed following the rules and procedures of the GRI Due Process. Five structural parts were under revision: the Disclosure on governance structure and its link to sustainability-related issues, the declaration of report information Boundaries, and the criteria to be ‘in accordance’ with the GRI Guidelines. G4 is planned to be published in 2013. G4’s development follows GRI’s due process, using GRI’s multi-stakeholder international consultation method.

**Research Method**

According to the research focus on the comparative analysis of GRI G3.1 and G4, the method used in this study is qualitative research methods. Hancock (2002) stated that qualitative research is concerned with developing explanation of social phenomena. It aims to help us to understand the world in which we live and why
things are the way they are. Apriani (2012) stated that qualitative research is used if the problem has not been clear, to discover, to understand social interactions, to develop a theory, to ensure the correctness of data, and researching the history of the development. Hancock (2002) tried to convince each of various features of qualitative research may be viewed as strength or a weakness. This depends on the original purpose of the research.

Kyngäs and Elo (2007) tried to convince that content analysis is a method that may be used with either qualitative or quantitative data. In their journal, they stated that content analysis is a research tool focused on the actual content and internal features of media. It is used to determine the presence of certain words, concepts, themes, phrases, characters, or sentences within texts or sets of texts and to quantify this presence in an objective manner. Texts can be defined broadly as books, book chapters, essays, interviews, discussions, newspaper headlines and articles, historical documents, speeches, conversations, advertising, theater, informal conversation, or really any occurrence of communicative language. Content analysis can be a powerful tool for determining authorship. For instance, one technique for determining authorship is to compile a list of suspected authors, examine their prior writings, and correlate the frequency of nouns or function words to help build a case for the probability of each person's authorship of the data of interest (Stemler, 2011).

The object in this research is the GRI G3.1 and the GRI G4-Exposure Draft. The researcher is motivated to find and analyze differences the GRI G3.1 and the G4-Exposure draft because those both reports are really different in several aspects which are regarding Sustainability Reporting Guidelines (SRG) published by the Global Reporting Initiative (GRI). Therefore, the authors wanted to analyze differences of the contents between the GRI G3.1 and the GRI G4. In addition, the authors want to emphasize the knowledge of Social Responsibility Accounting practices that focused on six core indicators of the GRI (Global Report Initiative). Scope of this study focused on an object that has been formulated. This study is limited to discussion of the variables associated with report of GRI G3.1 and the GRI G4. The focus of research lies in corporate social
responsibility accounting as a form of corporate accountability to stakeholders. Sustainability reporting is a common form of the social adds environmental performance reports. This report form is highly recommended by the GRI (Global Reporting Initiatives) as an international organization to develop and disseminate globally Sustainability Reporting guidelines.

The data used in this study is a type of documentary data which is the data type of research such as: invoices, journals, letters, minutes of meetings, memos, or in the form of program reports. The documentary contains what data and when an event or transaction, and is involved in the incident (Supomo & Indriantoro, 1999:146). Source of data used in this study is secondary data. Secondary data according Supomo and Indriantoro (1999:147) is a source of research data obtained and recorded by others). Data collection techniques used in this study is documentation and library studies.

Social Responsibility Accounting
Rahahleh and Sharairi (2008:7) tried to convince the general objectives of social responsibility accounting are to, first, determine and measure the net social contribution of the organization on a period basic. This not only includes the elements of internal costs and specific benefits of the organization, but also includes the elements of cost and external social benefits that influence segments of the community. Second, evaluate the social performance of organizations by identifying whether the organization’s strategies and objectives are consistent with the social priorities and the organization’s ambition to ensure individuals a reasonable percentage of profits. The relationship between the economic performance of business organizations and social welfare lies at the core of Social Responsibilities Accounting. This requires an appropriate mechanism to measure social performance. Third, disclose the activities that have social influence carried out by the organization. This objective underlines the need for appropriate data on the social performance of the organization and the extent to which it contributes to achieving social objectives.
According to Gray (2002) in Rahahleh and Sharairi (2008:8), four areas of social performances were identified: The interaction of organizations with the community; contribution to the development of human resources; contribution to the development of natural resources and environment; and upgrading the quality of products.

Muhammad et al stated in their journal that Social Responsibility Accounting (SRA) has emerged in significance, both locally as well as internationally. Even though SRA has been regarded by many practitioners as an area outside the general area of accounting, the accounting profession has a pivotal role to play in making business organizations; more environmentally sensitive. This is because the impact of social responsible issues in business organizations all over the world is growing at an expeditious pace. To manage this, the United Nations has proposed a standard (the United Nations Initiative on External Environmental Reporting) which strongly recommends that organizations disclose and submit to audit, their environmental policy, among others.

According to Harahap (1993), social accounting measurement problem is complicated, because when compared to ordinary transactions can be recorded and directly affect the financial position, then the social accounting must first be measured both positive and negative impacts caused by the company.

Non financial information and corporate social involvement should be communicated to stakeholders. Communicating the activities carried out by various means and media report. One of the tools or media that can be used is the annual report. Report means release information. Accountants tend to use more limited in the sense that the submission of financial information on a company in the financial statements, annual reports are often (Hendriksen and Van Breda, 2000).

Ethics and Social Responsibility Accounting are an issue that always appears in the scientific debate about the role of business. Various parties give each other the argument about the ethics and corporate social responsibility, while others also suggest a variety of reasons companies do not require ethics and social
responsibility. At first limited Liability Company for businesses looking for maximum profit. But along with the demands of society will concern the management of the social environment, then the responsibility of the company began to change. The company started thinking about social responsibility is intended to improve the quality of life.

Social Responsibility Accounting is not new in Indonesia. Public discourse about the concept has been developed long ago. However, until now there have been no new standards that define the implementation of social responsibility accounting. This is because each company has different characteristics from each other. On July 20, 2007 Council of Representatives (Dewan Perwakilan Rakyat) has drafted a Limited Liability Company Act regarding social responsibility accounting. Article 74 contains the Rules of Social and Environmental Responsibility. With the enactment of this law, accounting implementation social responsibility must be accompanied by the applicable standards, so that the activities of preparing and communicating the social responsibility accounting would be more effective.

One of the major challenges of sustainable development is the demand for options and new ways of thinking and innovative. The development of knowledge and technology required not only contributes to economic growth, but also can assist in solving risk-related issues and threats to the sustainability of companies social relationships, environment, and economy. Therefore, knowledge and new innovations in technology, management and public policy, a challenge for all organizations in order to make new choices in carrying out their operations, production, services, and other activities, which will impact on the earth, the human, and the economy.

Sustainability report is the practice of measurement, report and accountability efforts of the organization's performance in achieving sustainable development objectives to stakeholders both internal and external. Sustainability reporting is a general term that is considered synonymous with other terms to describe the report on the impact of economic, environmental, and social. For example: triple bottom line, corporate accountability reports, and so forth (Global
According to GRI (2011:40), a sustainability report refers to a single, consolidated disclosure that provides a reasonable and balanced presentation of performance over a fixed time period.

**Global Reporting Initiative (GRI)**

The Global Reporting Initiative (GRI) is a non-profit organization that promotes economic, environmental and social sustainability. GRI provides all companies and organizations with a comprehensive sustainability reporting framework that is widely used around the world. GRI’s global multi-stakeholder network includes experts who participate in Working Groups and governance bodies, reporters, and report users worldwide. GRI is a global multi-stakeholder network. Its governance bodies – the Board of Directors, Stakeholder Council and Technical Advisory Committee – each play a lead role in developing GRI’s Sustainability Reporting Framework, and deciding GRI’s direction. The governance bodies unite senior people with diverse skills, education, life experiences and cultural backgrounds, and typically include representatives from up to 30 countries at any one time. GRI governance structure is designing to maintain multi-stakeholder representation. The Technical Advisory Committee (TAC) that oversees the development of GRI’s Framework content. The Stakeholder Council (SC) provides advice on strategic and policy issues, and debates proposed changes to the Framework content, as representative of GRI’s wider network, they provide a balanced, expert view that lends credibility to GRI’s guidance. Following recommendation from the TAC and SC, the Board of Directors makes the final decision about the release of Framework material.

Every year GRI seeks new members for the Stakeholder Council. For 60 days, an open call for nominations allows all those who want to take an activity and content development to step forward, and become a candidate. The Stakeholder Council (SC) is GRI’s formal stakeholder policy forum – representatives of GRI’s wider network that advise in strategic and policy issues, and debate proposed changes to GRI’s guidance. Its member include representatives from mediating institutions, civil society organizations, business,
and labor. The SC’s governance functions include approving nominations to GRI’s Board of Directors, and making recommendations to the Board on policy and business planning. Individual SC members can also participate in the Working Groups that develop GRI’s Framework content, and help to build GRI’s network in their constituencies and regions (https://www.globalreporting.org/network/network-structure/governance-bodies/Pages/default.aspx).

GRI is funded by its global network. These vital contributions take various forms: Funding from Organizational Stakeholders – GRI’s core supporters. Organizational Stakeholders put their name to GRI’s mission and vision, and play important governance role. Core support and grants from governments, foundation and international organizations. GRI receives institutional support from a number of governments and their agencies, including the Swedish International Development Cooperation Agency, the Norwegian Ministry of Foreign Affairs, Germany’s state-owned Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ) and the Australian government. Corporate and governmental sponsorship and in kind support for projects and events. All GRI projects and events – including the multi-stakeholder development od its reporting guidance – are funded by a diverse range of corporate and organizational donors, as well as providers of in kind support. Revenue from GRI products and services GRI offers a range of Reporting Support products and services, including publications, training programs, and checks for GRI Application Levels and certified software.

There are many ways to get involved in GRI. One is to provide funding or in kind support. Doing so supports GRI’s continuous development of its Reporting Framework, and its mission of making sustainability reporting standard practice, become an Organizational Stakeholder, provide financial support to a specific project or even, provide unrestricted core funding, and provide in kind support. All contributions to GRI activity are valuable, and valued (https://www.globalreporting.org/information/about-gri/Pages/Funding.aspx).
GRI works towards a sustainable global economy by providing organizational reporting guidance. A sustainable global economy should combine long term profitability with social justice and environmental care. This means that for organizations, sustainability covers the key areas of economic, environmental, social, and governance performance. GRI’s Sustainability Reporting framework enables all companies and organizations to measure and report their sustainability performance. By reporting transparently and with accountability, organizations can increase the trust that stakeholders have in them, and in the global economy. GRI is a network-based organization. A global network of some 30,000 people, many of them sustainability experts, contributes to its work. GRI’s governance bodies and Secretariat act as a hub, coordinating the activity of its network partners (https://www.globalreporting.org/Information/about-gri/Pages/default.aspx).

The vision of GRI is a sustainable global economy where organizations manage their economic, environmental, social, and governance performance and impacts responsibly and report transparently. The mission of GRI is to make sustainability reporting standard practice by providing guidance and support to organizations (https://www.globalreporting.org/Information/about-gri/Pages/default.aspx).

**GRI G3.1**
Yet in this era of unprecedented economic growth, achieving this goal can seem more of an aspiration than a reality. As economies globalize, new opportunities to generate prosperity and quality of life are arising though trade, knowledge-sharing, and access to technology. However, these opportunities are not always available for an ever-increasing human population, and are accompanied by new risks to the stability of the environment. Statistics demonstrating positive improvements in the lives of many people around the world are counter-balanced by alarming information about the state of the environment and the continuing burden of poverty and hunger on millions of people. This contrast creates one of the most pressing dilemmas for the 21st century.
One of the key challenges of sustainable development is that it demands new and innovative choices and ways of thinking. While developments in knowledge and technology are contributing to economic development, they also have the potential to help resolve the risks and threats to the sustainability of our social relations, environment, and economies. New knowledge and innovations in technology, management, and public policy are challenging organizations to make new choices in the way their operations, products, services, and activities impact the earth, people, and economies.

The urgency and magnitude of the risks and threats to our collective sustainability, alongside increasing choice and opportunities, will make transparency about economic, environmental, and social impacts a fundamental component in effective stakeholder relations, investment decisions, and other market relations. To support this expectation, and to communicate clearly and openly about sustainability, a globally shared framework of concepts, consistent language, and metrics is required. It is the Global Reporting Initiative’s (GRI) mission to fulfill this need by providing a trusted and credible framework for sustainability reporting that can be used by organizations of any size, sector, or location. Transparency about the sustainability of organizational activities is of interest to a diverse range of stakeholders, including business, labor, non-governmental organizations, investors, accountancy, and others. This is why GRI has relied on the collaboration of a large network of experts from all of these stakeholder groups in consensus-seeking consultations. These consultations, together with practical experience, have continuously improved the Reporting Framework since GRI’s founding in 1997. This multi-stakeholder approach to learning has given the Reporting Framework the widespread credibility it enjoys with a range of stakeholder groups.

Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development. ‘Sustainability reporting’ is a broad term considered synonymous with others used to describe reporting on economic, environmental, and social impacts (e.g., triple bottom line, corporate
responsibility reporting, etc.). A sustainability report should provide a balanced and reasonable representation of the sustainability performance of a reporting organization – including both positive and negative contributions. Sustainability reports based on the GRI Reporting Framework disclose outcomes and results that occurred within the reporting period in the context of the organization’s commitments, strategy, and management approach.

All GRI Reporting Framework documents are developed using a process that seeks consensus through dialogue between stakeholders from business, the investor community, labor, civil society, accounting, academia, and others. The Sustainability Reporting Guidelines consist of Reporting Principles, Reporting Guidance, and Standard Disclosures (including Performance Indicators). These elements are considered to be of equal in weight and importance.

To help determine what to report on, this section covers the Reporting Principles of materiality, stakeholder inclusiveness, sustainability context, and completeness, along with a brief set of tests for each Principle. Application of these Principles with the Standard Disclosures determines the topics and Indicators to be reported. This is followed by Principles of balance, comparability, accuracy, timeliness, reliability, and clarity, along with tests that can be used to help achieve the appropriate quality of the reported information. This section concludes with guidance for reporting organizations on how to define the range of entities represented by the report (also called the ‘Report Boundary’).

The Guidelines identify information that is relevant and material to most organizations and of interest to most stakeholders for reporting the three types of Standard Disclosures:

1. Strategy and Profile: Disclosures that set the overall context for understanding organizational performance such as its strategy, profile, and governance.

2. Management Approach: Disclosures that cover how an organization addresses a given set of topics in order to provide context for understanding performance in a specific area.
3. Performance Indicators: Indicators that elicit comparable information on the economic, environmental, and social performance of the organization.

In order to ensure a balanced and reasonable presentation of the organization’s performance, a determination must be made about what content the report should cover. This determination should be made by considering both the organization’s purpose and experience, and the reasonable expectations and interests of the organization’s stakeholders. Both are important reference points when deciding what to include in the report.

**GRI G4 Exposure Draft**

GRI encourages the use of the GRI Guidelines by all organizations, regardless of their size, sector or location. Organizations may wish to indicate that their report has been prepared in accordance with the GRI Guidelines. In order to do so, the report must include:

1. All of the Profile Disclosure Items.
2. Disclosures on Management Approach and Core Indicators related to all of the material Aspects identified by applying the Technical Protocol: Defining Report Content and Boundaries.
3. All disclosures identified in any applicable GRI Sector Supplement(s).
4. A GRI Content Index as specified in the GRI Guidelines.
5. A statement, signed by the highest governance body or Chief Executive Officer (CEO), that the report has been prepared in accordance with the GRI Guidelines and that it is a balanced and reasonable presentation of the organization’s economic, environmental and social impacts.

The unavailability of data or specific legal prohibitions may result in an inability to disclose certain information required by points 1-3 above. If such information is not disclosed, the statement required by point 5 above must also clearly:

I. Indicate what information has been omitted,
II. Explain the reasons why the information has been omitted, and
III. In the case of the unavailability of data, identify the steps being taken to obtain the data and the expected timeframe for doing so.

First time reporters who wish to incrementally apply the GRI Guidelines may, for the first two reporting periods, state that their report is in accordance with the GRI Guidelines if the statement required by point 5 above also clearly:

I. Identifies what information has been omitted, and

II. State the organization’s commitment for the report to fully be in accordance with the GRI Guidelines once the transition period is over.

In order to ensure a balanced and reasonable presentation of the organization’s impacts and performance, a determination should be made about what content the report should cover. This determination should be made by considering both the organization’s purpose and the reasonable expectations and interests of the organization’s stakeholders. Both are important reference points when deciding what to include in the report. The GRI Guidelines offers a list of Aspects to be used as reference when identifying which content the report should cover.

In order to be able to understand and explain where each Aspect is material, the organization should define its value chain. A sustainability report should cover at least the elements or areas in the value chain where the organization has or experiences significant impacts. The organization should also report which entities’ (e.g., subsidiaries and joint ventures) performance and impacts will be represented in the report.

The following approach governs the use of the GRI Reporting Framework in defining reporting content and boundaries. More detailed guidance on defining report content and boundaries is located in the Technical Protocol – Defining Report Content and Boundaries. Here a summary of protocol’s content is presented.

1. Map the value chain. The value chain consists of the parties that are linked by the organization’s activities, products, services, and relationships, and may therefore impact and be impacted by the organization. The outcome of this step is a holistic view of the value chain, throughout which impacts are identified.
2. Identification. Identify the topics that are relevant based on their associated impacts, and therefore may be appropriate to report, by undergoing an iterative process using the Principles of Materiality, Stakeholder Inclusiveness, and Sustainability Context. When identifying topics, consider the relevance of all Aspects identified in the GRI Guidelines and applicable Sector Supplements. Also consider other topics, if any, that are relevant to report. Determine boundary for each relevant Aspect by identifying the elements or areas of the value chain where each topic has associated impacts.

3. Prioritization. From the set of relevant Aspects identified, use the tests listed for each Principle to assess which Aspects are material, and therefore should be reported. The specific methods or processes used for assessing materiality should:
   a. Differ for, and be defined by, each organization;
   b. Always take into account the guidance and tests found in the GRI Reporting Principles; and
   c. Be disclosed.

4. Validation. Assess material topics against the Reporting Principle of Completeness. This ensures that Aspects (or other topics) identified in the Prioritization step are checked against the dimensions of Scope, Boundary and Time. If necessary, adjustments should be made to the selection and coverage of the material Aspects. In applying this approach:
   1. The default content to be included in a report should cover every element of the organization’s value chain where significant impacts occur.
   2. All other information (e.g., organization-specific Indicators) included in the report should be subject to the same Reporting Principles and have the same technical rigor as GRI Standard Disclosures.
3. To be ‘in accordance’ with the Guidelines, disclosures on Management Approach and Core Indicators related to all of the material Aspects identified by applying the Technical Protocol Defining Report Content and Boundaries are expected; as well as disclosures on all items identified in the existing GRI Sector Supplements applicable to the organization.

4. Practical challenges such as the availability of data, the cost of gathering it, the confidentiality of information, privacy or other legal concerns, the reliability of available information, and other factors, may result in a legitimate decision not to disclose certain information. If information related to material Aspects is not disclosed, the organization must clearly indicate this and explain the reasons why the information has been omitted.

**Comparative between GRI G3.1 and GRI G4 Exposure Draft**

The term sustainability accounting is used to describe new information management and accounting methods that aims to create and provide high quality information to support a corporation in its movement towards sustainability. While, sustainability reporting describes new idea means of communication providing information about corporate sustainability. The sustainability accounting and reporting has a linkage which is crucial for two reasons. Firstly, accounting information which is not communicated cannot exert any influence and is thus unable to contribute towards the company’s sustainable development. Secondly, reporting is needed in order to support information about the actual status, and progress towards corporate sustainability, otherwise the information tends to be considered rather superficial. This is a decision to be made by GRI’s Board of Directors at the end of the G4 approval process. Because organizations have to adjust processes and systems to the new reporting recommendations, a transition period is always discussed. A transition period of two years was approved for the transition from G3 to G3.1.
Arbex (2011) tried to convince in her writings at http://theg4blog.wordpress.com/ that as defined by GRI Board Directors, the principles-based approach of the GRI Guidelines is not under question in G4, nor is the Materiality Principle. The content of Disclosures on Management Approach and Indicators are also not to be changed. The main focus of G4 is:

1. A general revision to improve DMAs and Indicators technical definitions,
2. An extra efforts to harmonize with other relevant international reporting guidance,
3. Improve considerably guidance around the definition of what is material (from different perspective),
4. A redesign of the Guidelines format (by separating “standard like” request from guidance, making it web based, offering templates, linking it to technology solutions).

In addition to these points, GRI also – as usual – checking if the scope of the topics covered in the Guidelines is still up to date, in order to offer reporters a useful portfolio of metrics to be considered when reporting. GRI is also considering a revision of the Application Levels. There are other aspects to the G4 project, but these are the ones related to its core.

Fundamental changes proposed were to, first, Application Levels which are 100 percent change. The new proposal is based on “in accordance” criteria. The A, B, and C (and +) levels are not part of the G4 Exposure Draft. The core of the current proposal is that GRI reporters are required to; a. report on all general Disclosures Items; b. report on Management Approach and Indicators related to the Aspects selected as material aspects for the organization’s value chain. GRI has proposed to move from the current Application Levels to “in accordance” criteria because there are two main reasons:

1. The negative feedback from the network: Over the last five years, GRI has received feedback from stakeholders that signal that the current system presents many problems, particularly related to the misuse of the Application Levels as a rating system of organizations’
19

performance. Other feedback included comments on the requirement for Level A reporters to display the decision on material/ non-material to all indicators, and others are concerned because the (+) can express many different types of external verification, making comparative between the (+) marked reports impossible.

2. GRI’s Board of Directors is discussing the future of sustainability reporting, and the implications of a potential move for the GRI Guidelines to become standard-ready. Other international standards use ‘in accordance’ type models, and this would give GRI greater choice in the future.

With these reasons in consideration, and with the input of experts in the Application Level Working Group, the TAC developed the proposal, which tries to tackle these points in a technical way. Standards are generally defined by “in accordance” criteria.

Second is Defining Report Content Protocol which is 25 percent change. As in G3.1, the proposal emphasizes the importance of the process to select material aspects to be reported on, by using the Reporting Principles. The new element here is the concept of “identifying in which part of the organizations activities’ chain that aspect is material”. So, in the G4 context, the disclosure on a material Aspect has to be linked to the part of organization’s activities chain (value chain) where the Aspect is material. Third is Disclosure for Management Approach which is 100 percent change. In G3.1 the Disclosure on Management Approach (DMA) guidance has a variety of forms. In the G4 Exposure Draft there is one general format to disclose DMA information at any Category, Aspect or even Indicator level. The DMAs should be disclosed only for material Aspects/Indicators. Fourth is Supply Chain Disclosure which is 100 percent change. The current proposal includes a complete description of supply chain. There are new disclosure items (required type of information for all reporters) as well as Indicators (to be selected during the process to define report content).

Several minor or technical editorial changes which are the Reporting Principles, minor changes were made for clarity in the presentation of the text of
all Principles or to align it with the proposals related to the Boundaries of the reported information. Next is Indicators and Indicator Protocols which are around 10 percent of the existing Indicators were considered DMA disclosures, so are now covered in the DMA guidance. All other existing Indicators and Protocols have been technically reviewed and editorial changes have been proposed. In the Indicator Protocols there is new separation between “Standard Disclosure’ and Guidance”.

Conclusion
In the concept of conventional accounting, the activity of company or organization is to obtain profit as high as what shareholders desire. The shareholders have high authority to make decision within company’s operation. The highest consideration towards company’s going concern determined by shareholders. As an impact, there are mass productions provided by company’s activity without considering the waste that can pollute the environment. Contamination of air, water and land as disposal of industrial, urban congestion, and change in land use are some of examples of phenomena happened because of industrial unawareness. This can be seen that money will scrap human sensitivity about awareness to other, such as social and environmental condition. These wastes, for example will be completely supports the threat of global warming. Look at this condition, the company’s focus on fulfilling shareholders need continuously change to the need of stakeholders. Social responsibility accounting is a concept explains that organizations have a responsibility towards customers, employees, shareholders, communities and the environment in all aspects of company operations. The annual report that has been considered as the most appropriate media for communicating relevant information from the management company apparently is not used optimally to reveal the problems associated with the social environment. In fact, social and environmental disclosures made by a company are a form of corporate accountability to the public as well as efforts to maintain the company's existence in society. Therefore, current researches on emerging corporate sustainability reports are discussed.
There is a kind of standard covering form of sustainability, Global Reporting Initiative (GRI) Sustainability Guideline. GRI itself has latest two versions. First, GRI G3.1 and the last one is GRI G4-Exposure Draft which is going to launch in the mid of 2013. Regarding to the research topic, as well as providing adequate information about the standard, it can be concluded the comparative analysis between GRI G3.1 and GRI G4-Exposure Draft.

References


