GRI STANDARDS

THE FUTURE OF REPORTING

Strengthen Risk and Compliance Management with the New Sustainability Reporting Standard

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Background

Background on GRI and sustainability reporting

- Since 2000, GRI's Sustainability Reporting Guidelines have been used by **thousands of organizations** in more than 90 countries to report publicly about their **impacts on the economy, the environment, and society**
- Reporting on these impacts enables organizations, and their stakeholders, to **understand their contributions towards the goal of sustainable development**
- Now, the world's **most widely-adopted sustainability reporting guidelines** have been further refined to become the first-ever ***Sustainability Reporting Standards***

Click here for a quick introduction to the new GRI Standards

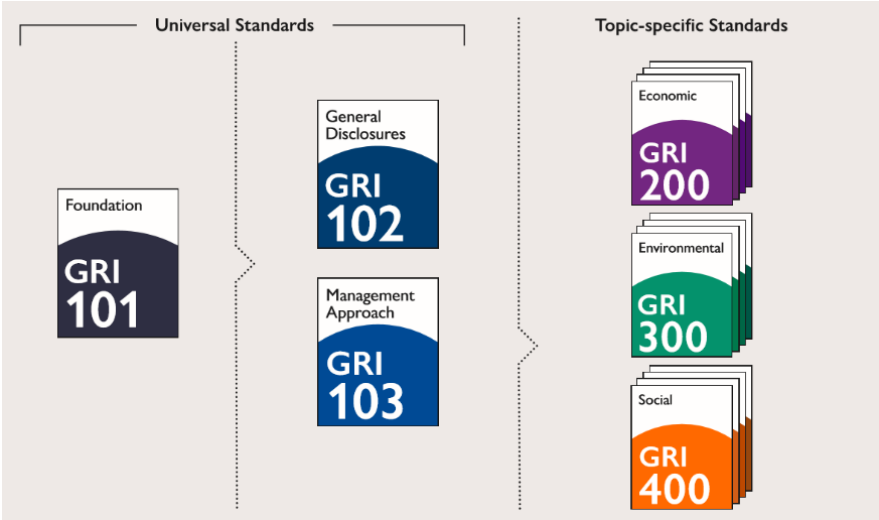
Development and benefits

About the GRI Standards

- The GRI Standards **incorporate the key concepts and disclosures** from the *G4 Guidelines* and *G4 Implementation Manual*, but with a **new and improved structure and format**
- The Standards are issued by the **Global Sustainability Standards Board** (GSSB), GRI's independent standard-setting body

G4 Guidelines and G4 Implementation Manual

NEW **Set of modular GRI Standards**



Benefits

The GRI Standards will deliver:

- **A more flexible and future-proof structure:** ensuring the GRI Standards remain up-to-date and relevant
- **Greater suitability for referencing in policy initiatives:** to enable further integration into government and market legislation around the world
- **A global common language for non-financial information:** providing one universal framework and set of disclosures to meet all sustainability reporting needs – *from comprehensive reports to issue-specific disclosures*
- **Standards that are credible and robust:** developed with true multi-stakeholder contributions and rooted in the public interest

Summary of new features and improvements

Summary of new features and improvements compared to G4

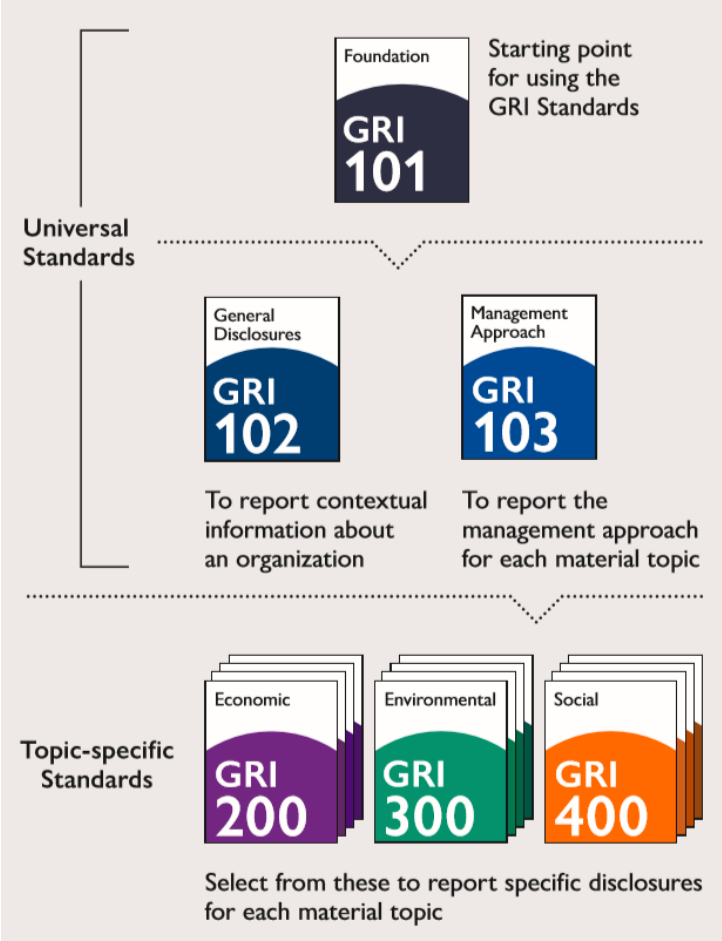
New modular structure	The Standards are now organized as a set of modular, interrelated standards
New format with clearer requirements	The new format has clear distinctions between requirements (indicated by 'shall'), recommendations ('should') and guidance
Greater flexibility and transparency in how to use the Standards	For organizations preparing a report in accordance with the Standards as well as those using selected Standards to report specific information
Content clarifications	Key concepts from G4 have been clarified to improve understanding and application of the Standards
Overall editing	Content from G4 has been edited for greater clarity and simpler language

Navigating the new modular structure

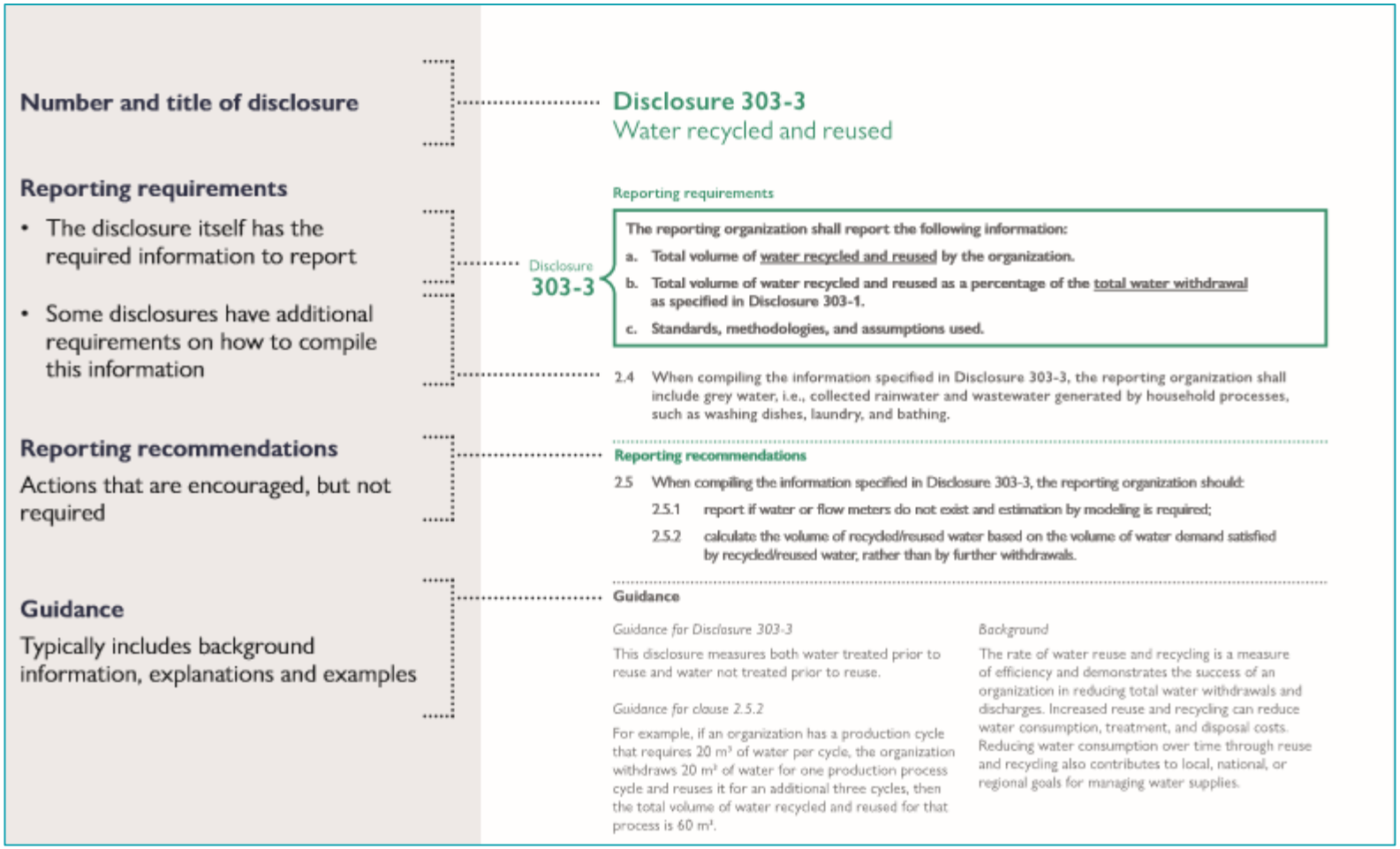
The set of GRI Standards includes:

- **3 universal Standards**, applicable to all organizations
- **33 topic-specific Standards**, organized into Economic, Environmental, and Social series

Organizations select and use only their relevant topic-specific Standards, based on their **material topics**



Inside each Standard – new format with clearer requirements



Greater flexibility in using the Standards:

Two basic approaches

Preparing a report *in accordance* with the Standards

- The Standards are designed primarily to be used together to prepare a report **in accordance with the Standards**
- This signals that the Reporting Principles have been applied, and that all material topics have been reported on
- **Core** and **Comprehensive** options from G4 continue *(with minor changes due to the new structure and content clarifications)*

Using selected GRI Standards

- **Selected Standards** can also be used to **report specific information**
- This is called a **'GRI-referenced' claim** and must clearly reference which Standards or sections have been used

Using the GRI Standards requires including a specific claim in all published materials, and notifying GRI of the use of the Standards. See section 3 of GRI 101: Foundation.

Content clarifications – overview

Clarifications have been provided for some key G4 concepts, including:

- The definition of 'impacts' as related to materiality
- Using the GRI Sector Disclosures to identify material topics
- Reporting on other material topics (not covered by the GRI Standards)
- Required explanations when using reasons for omission
- Notifying GRI of the use of the Standards
- Identifying and reporting the concept of **'topic Boundary'**
- How to report on topics if the Boundary extends beyond the organization
- Use of 'employee'/ 'worker' terminology

Found in *GRI 101: Foundation*

Also found in *GRI 103: Management Approach*

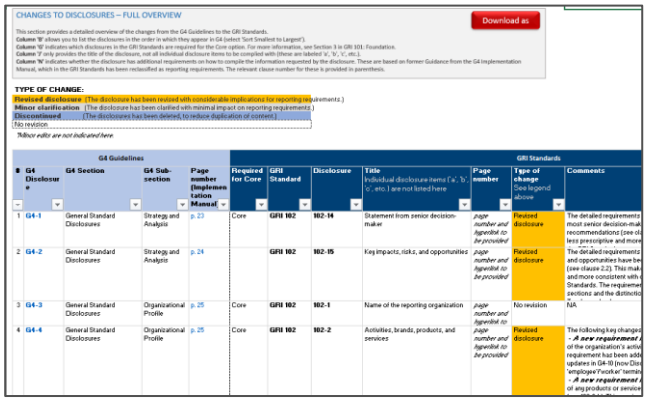
Found in selected content throughout the Standards

Overall editing – with revised terminology and numbering

Some G4 terminology has been simplified:

- 'Indicator' → '***disclosure***' (covers both qualitative and quantitative disclosures)
- 'Aspect' → ***'topic'*** (refers to <u>all topics</u>, whether covered by the GRI Standards or not)
- 'Disclosures on Management Approach (DMA)' → ***'management approach disclosures'***

A detailed 'Mapping G4 to the GRI Standards' document can be found on the GRI Website outlining changes by disclosure and topic


CHANGES TO DISCLOSURES – FULL OVERVIEW

Download as

TYPE OF CHANGE:

Revised disclosure (The disclosure has been revised with considerable implications for reporting requirements.)

Minor clarification (The disclosure has been clarified with minimal impact on reporting requirements.)

Discontinued (The disclosures has been deleted, to reduce duplication of content.)

No revision

Yellow cells are not indicated here

	G4 Guidelines				GRI Standards					
	G4 Disclosure	G4 Section	G4 Sub-section	Page number (Implementation Manual)	Required for Core	GRI Standard	Disclosure	Title (individual disclosure items ('a', 'b', 'c', etc.) are not listed here	Page number	Type of change (See legend above)	Comments
1	G4-1	General Standard Disclosures	Strategy and Analysis	p. 23	Core	GRI 102	102-14	Statement from senior decision-maker	*page number and hyperlink to be provided*	Revised disclosure	The detailed requirements
2	G4-2	General Standard Disclosures	Strategy and Analysis	p. 24		GRI 102	102-15	Key impacts, risks, and opportunities	*page number and hyperlink to be provided*	Revised disclosure	The detailed requirements
3	G4-3	General Standard Disclosures	Organizational Profile	p. 25	Core	GRI 102	102-1	Name of the reporting organization	*page number and hyperlink to be provided*	No revision	NA
4	G4-4	General Standard Disclosures	Organizational Profile	p. 25	Core	GRI 102	102-2	Activities, brands, products, and services	*page number and hyperlink to be provided*	Revised disclosure	The following key changes

G4 disclosures (including Indicators) have new <u>unique identifiers</u>, based on the number of the Standard, e.g.:

- Disclosure **G4-10** is now **102-8** (located in *GRI 102: General Disclosures*)
- Indicator **G4-EN15** is now **305-1** (located in *GRI 305: Emissions*)

Universal Standards

GRI 101: Foundation

This is the 'starting point' for using the GRI Standards

Three main sections:

Section 1: Reporting Principles

Section 2: Using the GRI Standards for sustainability reporting

Section 3: Making claims related to the use of the GRI Standards

Also includes a new **Introduction** with background on sustainability reporting and information about how to use the Standards, as well as a **Key Terms** section

GRI 102: General Disclosures

Based on the General Standard Disclosures from G4, with minor clarifications and restructuring.

Includes disclosures about the reporting organization and its reporting practice, organized in six sections:

1. **Organizational profile**
2. **Strategy** *('Strategy and analysis' from G4)*
3. **Ethics and integrity**
4. **Governance**
5. **Stakeholder engagement**
6. **Reporting practice** *(includes 'Identified material Aspects and Boundaries' and 'Report profile' sections from G4)*

GRI 103: Management Approach

Includes the Disclosures on Management Approach (DMA) from G4, along with additional guidance and recommendations

Organized in four main sections:

- **General requirements** – *including how to combine the management approach for multiple topics*
- **Explanation of the material topic and its Boundary** – *includes the revised topic Boundary disclosures (G4-20 and G4-21 from G4)*
- **The management approach and its components** – *including grievance mechanisms*
- **Evaluation of the management approach**

Used together with each topic-specific Standard

What's new or clarified compared to G4?

- More explanation is given on **how to report the management approach** for each material topic (Disclosure 103-2), including:
  - The purpose of the management approach
  - A description of any relevant components, e.g., **policies**, **commitments**, **goals** and **targets**, etc.
- The revised **topic Boundary** disclosures are now in *GRI 103* (Disclosure 103-1)
- The **grievance mechanisms content** from G4 has also been moved to the management approach, with some revisions (Disclosure 103-2-c)

Topic-specific Standards

Overview of topic-specific Standards

There are 33 topic-specific Standards, organized in three series:

- **Economic topics (200 Series)** – includes the G4 Aspects from the Economic Category, plus Anti-corruption and Anti-competitive behavior
- **Environmental topics (300 Series)** – includes most G4 Aspects from the Environmental Category
- **Social topics (400 Series)** – this includes most G4 Aspects from the Social Category; the sub-categories from G4 have been removed (i.e. Labor Practices, Human Rights, Society)

Some topics have been merged or combined – see the *'Mapping G4 to the GRI Standards'* document for full detail

Inside a topic-specific Standard

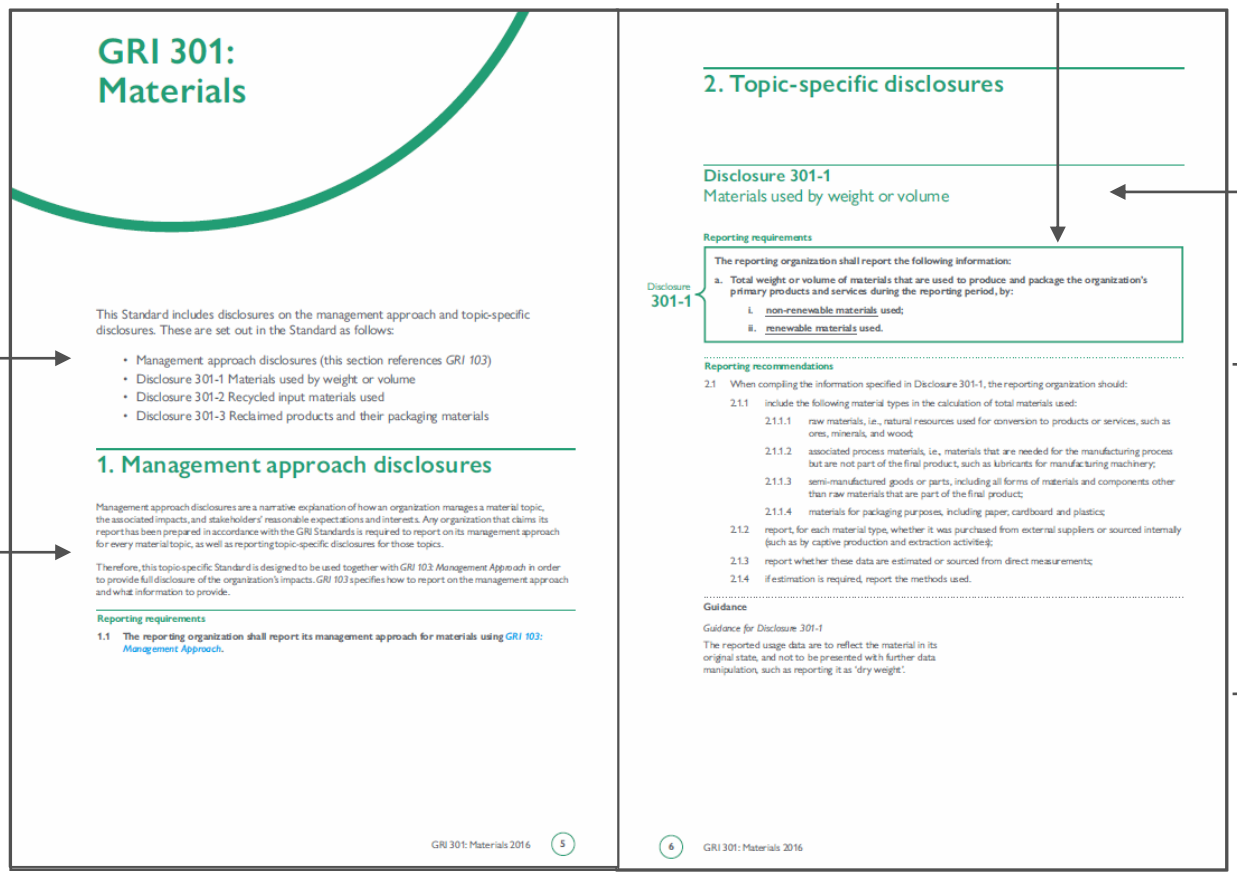
Each disclosure is in a box –
these were called 'Indicators' in G4

Each disclosure has a unique identifier, based on the Standard number (e.g., Disclosure 301-1)

Overview of disclosures in each Standard

Management approach disclosures (references GRI 103)

Each disclosure can include additional requirements, recommendations, and/or guidance – these will be directly below each disclosure



GRI 301:
Materials

This Standard includes disclosures on the management approach and topic-specific disclosures. These are set out in the Standard as follows:

- Management approach disclosures (this section references *GRI 103*)
- Disclosure 301-1 Materials used by weight or volume
- Disclosure 301-2 Recycled input materials used
- Disclosure 301-3 Reclaimed products and their packaging materials

1. Management approach disclosures

Management approach disclosures are a narrative explanation of how an organization manages a material topic, the associated impacts, and stakeholders' reasonable expectations and interests. Any organization that claims its report has been prepared in accordance with the GRI Standards is required to report on its management approach for every material topic, as well as reporting topic-specific disclosures for those topics.

Therefore, this topic-specific Standard is designed to be used together with *GRI 103: Management Approach* in order to provide full disclosure of the organization's impacts. *GRI 103* specifies how to report on the management approach and what information to provide.

Reporting requirements

1.1 The reporting organization shall report its management approach for materials using *GRI 103: Management Approach*.

GRI 301: Materials 2016 5

2. Topic-specific disclosures

Disclosure 301-1
Materials used by weight or volume

Reporting requirements

Disclosure 301-1

The reporting organization shall report the following information:

a. Total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period, by:

i. non-renewable materials used;

ii. renewable materials used.

Reporting recommendations

2.1 When compiling the information specified in Disclosure 301-1, the reporting organization should:

2.1.1 include the following material types in the calculation of total materials used:

2.1.1.1 raw materials, i.e., natural resources used for conversion to products or services, such as ores, minerals, and wood;

2.1.1.2 associated process materials, i.e., materials that are needed for the manufacturing process but are not part of the final product, such as lubricants for manufacturing machinery;

2.1.1.3 semi-manufactured goods or parts, including all forms of materials and components other than raw materials that are part of the final product;

2.1.1.4 materials for packaging purposes, including paper, cardboard and plastics;

2.1.2 report, for each material type, whether it was purchased from external suppliers or sourced internally (such as by captive production and extraction activities);

2.1.3 report whether these data are estimated or sourced from direct measurements;

2.1.4 if estimation is required, report the methods used.

Guidance

Guidance for Disclosure 301-1

The reported usage data are to reflect the material in its original state, and not to be presented with further data manipulation, such as reporting it as 'dry weight'.

6 GRI 301: Materials 2016

Timeline for adoption

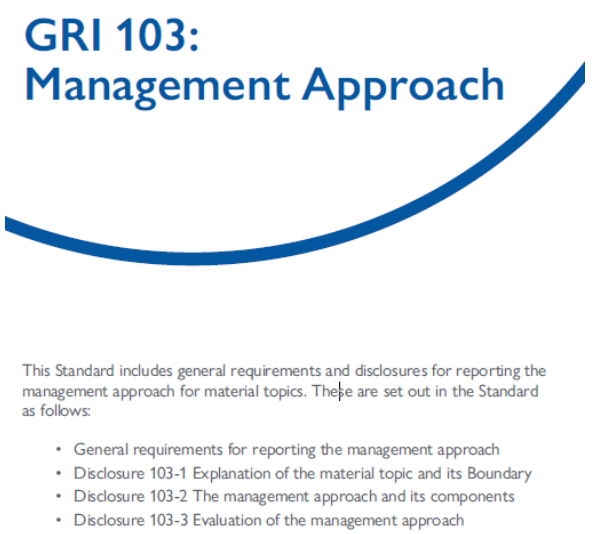
- Effective date is **1 July 2018** – *this means the Standards will be required for all reports or other materials published on or after this date*
- However, **earlier adoption is encouraged** – many organizations are already planning to use the Standards for their 2016 reporting
- The G4 Guidelines will no longer be valid from 1 July 2018 onwards

Standards Pioneers

Join the **'GRI Standards Pioneers'** through our Gold Community program to receive dedicated support for early adopters of the Standards

Why companies should adopt GRI Standards?

- Globally accepted standards – the GRI Sustainability Reporting Standards, provide **a common language and credible set of disclosures** for organizations to communicate about their impacts on the economy, the environment, and the society.
- GRI Standards are **compatible with a range of reporting formats** and **aligns with other internationally-recognized frameworks**, and thus helps organizations to build up their sustainability information database.
- Companies can demonstrate their commitment and actions in terms of **policies**, **processes** and **disclosure**.
- Companies can provide stakeholders with **focused**, **comprehensive** and **credible** information about sustainability impacts and performance.



Case study:
Risk management in GRI Standards

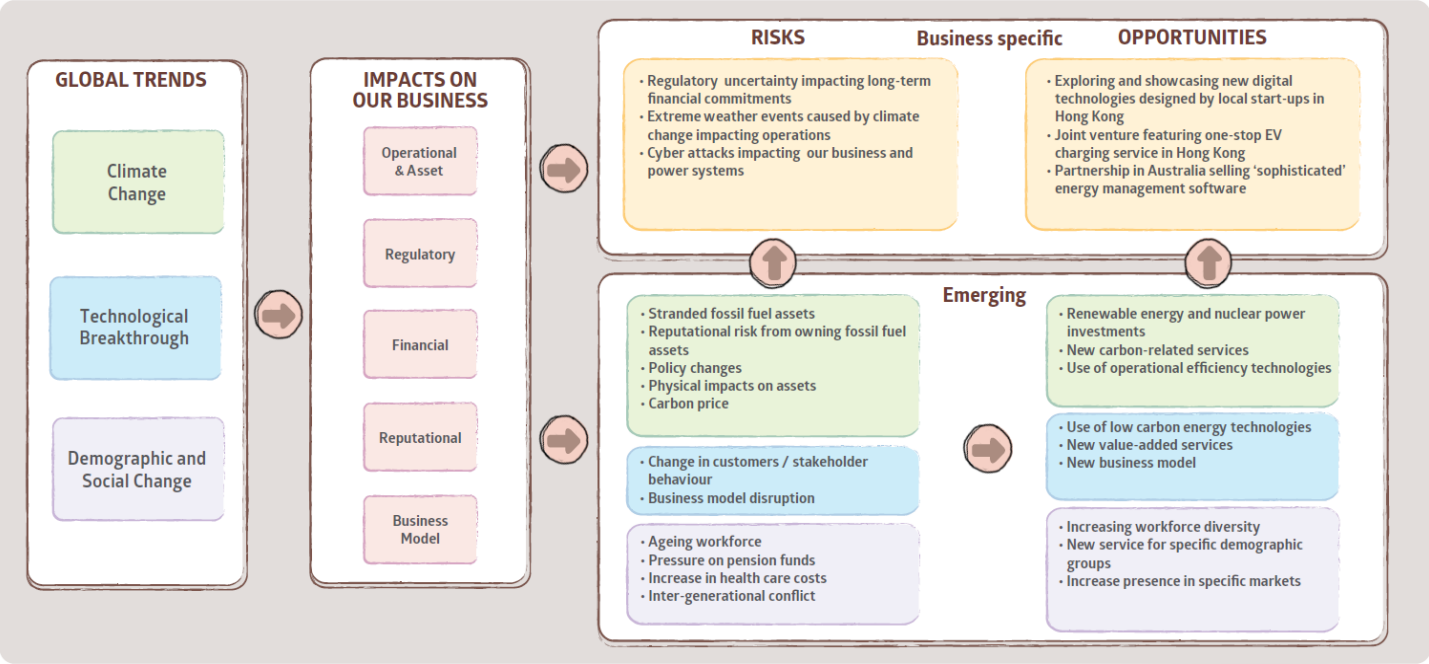
CLP Group 2016 Sustainability Report

Reporting requirements

Disclosure 102-15

The reporting organization shall report the following information:

a. A description of key impacts, risks, and opportunities.



CLP Group 2016 Sustainability Report

Risk management is integrated into business and decision-making processes.

CLP's Risk Management Objectives

Strategic

At a strategic level, CLP focuses on the identification and management of material financial and non-financial risks inherently associated with the pursuit of the Group's strategic and business objectives. In pursuing growth opportunities, CLP aims to optimise risk/return decisions as defined and quantified through diligent and independent review and challenge processes.

Operational

At an operational level, CLP aims to identfy, assess, evaluate and mitigate operational hazards and risks in order to create a safe, healthy, efficient and environmentally-friendly workplace for its employees and contractors while ensuring public safety and health, minimising environmental impact, and securing asset integrity and adequate insurance.

CLP's risk management framework comprises four key elements:

1. Risk management philosophy;
2. Risk appetite;
3. Risk governance structure;
4. Risk management process.

CLP Group 2016 Sustainability Report

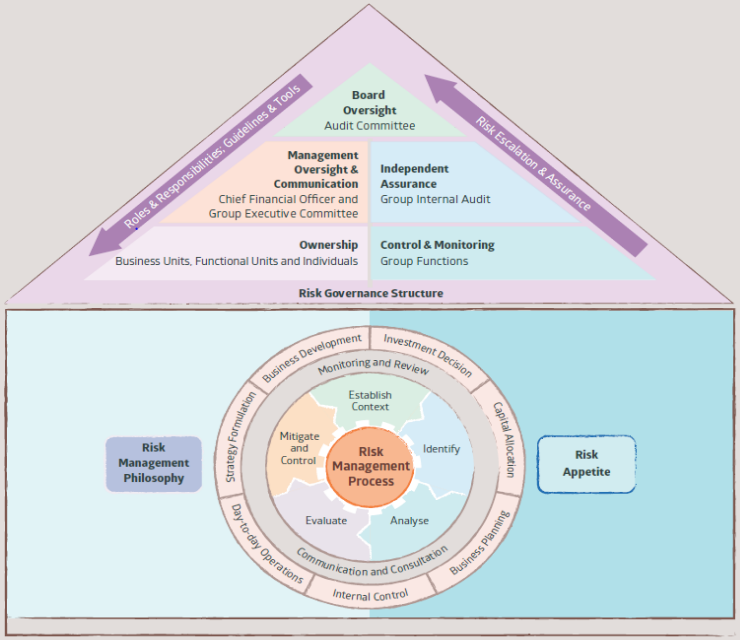
Reporting requirements

Disclosure 102-30

The reporting organization shall report the following information:

a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.

CLP's Risk Management Framework



See CLP's Risk Management Framework in our 2016 Annual Report.

Risk

Climate Change Risk

Climate Change is one of the key emerging risks which may have material impact on the Group over a longer timeframe. As an electricity supplier, CLP is committed to mitigating the impact of our operation on climate change.

On the supply side, we strive to lower the emissions from our power generation by using cleaner fuel and promoting the use of renewable energy.

On the demand side, our efforts focus on the promotion of energy efficiency and conservation (EE&C) through green tools and education programmes.

Extreme weather events as a result of climate change can pose industrial and operational risks to our operations.

Climate change can also cause indirect risks such as regulatory and regulational-related risks which are discussed in the following Regulatory Risk section.

Impact to CLP

CLP's operations are exposed to various industrial and operational risks, including extreme weather events as a result of climate change.

While we work to reduce our carbon emissions, we also need to adapt and upgrade our facilities to strengthen our defence against extreme weather events that are becoming more frequent.

Actions taken

We manage by:

- Planning and implementing operations and system reinforcements where necessary, in order to maintain high operational and emissions performance; and
- Maintaining emergency response and crisis management plans with regular drills.

For example, in 2016, in Hong Kong we completed the reinforcement project for pylons of 400kV overhead lines and various critical structures at Castle Peak Power Station so that they can better withstand super typhoons. We also installed flood damage mitigation and alarm systems at substations to guard against strom surges.

Looking forward, we plan to develop a model that can more accurately forecast the effect of an approaching typhoon on our network so that we can be better prepared.

GRI STANDARDS

Thank you

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